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EXECUTIVE SECRETARY

S BARTOW STRANG  
1882-1954  
JOHN S FLETCHER  
1879-1961  
JOHN S CARRIGER  
1902-1989  
JOHN S FLETCHER, JR  
1911-1974  
ALBERT L HODGE  
1910-1997

\* ALSO LICENSED IN GEORGIA  
# ALSO LICENSED IN ALABAMA  
+ ALSO LICENSED IN ARIZONA

September 3, 1998

Mr. K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Re: Application of the Electric Power Board of Chattanooga  
for a Certificate of Public Convenience and Necessity  
to Provide Intrastate Telecommunication Services --  
Docket No. 97-07488

Dear David:

We are enclosing an original and thirteen (13) copies of the Restated Application of the Electric Power Board, together with an original and thirteen (13) copies of the Direct Testimony of Harold E. DePriest, Ronald N. Fugatt, Rose M. Baxter, Douglas A. Dawson, and Robert W. Nyswaner filed in behalf of the Electric Power Board of Chattanooga, Tennessee.

Sincerely yours,



William C. Carriger  
For the Firm

WCC:as  
Enclosures  
cc: Parties of Record  
86397

**BEFORE THE  
TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

IN RE:

APPLICATION OF ELECTRIC	)	
POWER BOARD OF CHATTANOOGA	)	
FOR A CERTIFICATE OF PUBLIC	)	Docket No. 97-07488
CONVENIENCE AND NECESSITY	)	
TO PROVIDE INTRASTATE	)	
TELECOMMUNICATIONS SERVICES	)	

**RESTATED APPLICATION**

The Electric Power Board of Chattanooga ("EPB" or "Applicant"), pursuant to the provisions of T.C.A. §§ 65-4-201(b), (c) and (d), on October 21, 1997, filed its original Application to the Tennessee Regulatory Authority ("Authority") for a Certificate of Public Convenience and Necessity ("Certificate") to become a competing telecommunications service provider as defined by T.C.A. § 65-4-101(e). Pursuant to the August 29, 1998, Report From the Hearing Officer Concerning the Status Conference Held August 29, 1998, Applicant EPB hereby files its Restated Application. Applicant respectfully requests that the Authority grant a Certificate to Applicant to provide local exchange telecommunications services in most of Hamilton County, Tennessee, and in certain parts of counties adjacent to Hamilton County, as more specifically described below, to the fullest extent permitted by the provisions of T.C.A. §§ 65-4-201. In support of this Application, EPB submits the following information:

I. The name and address of the Applicant is:

Electric Power Board of Chattanooga  
536 Market Street  
Chattanooga, Tennessee 37402  
(423) 757-1484 (Mr. Harold E. DePriest)  
(423) 757-1291 (Mr. Ronald N. Fugatt)

The mailing address of the Applicant is:

Electric Power Board of Chattanooga  
P.O. Box 182255  
Chattanooga, Tennessee 37422-7255

EPB is a board of the City of Chattanooga, Tennessee, a Tennessee municipal corporation. EPB was originally created under Chapter 455 of the Private Acts of the 1935 Tennessee General Assembly and currently provides electric power at retail to both business and residential customers in the City of Chattanooga, most of Hamilton County, Tennessee, parts of Bledsoe, Bradley, Marion, Rhea and Sequatchie Counties in Tennessee, and parts of Catoosa, Dade and Walker Counties in Georgia. EPB's principal office is in Chattanooga, Tennessee.

EPB is an independent board of the City of Chattanooga. As such, it is authorized to transact business in Tennessee without the necessity of otherwise receiving any additional authorization or certificates from the Secretary of State of the State of Tennessee.

II. Correspondence concerning this Application should be directed to:

Carlos C. Smith  
William C. Carriger  
Mark W. Smith  
Strang, Fletcher, Carriger, Walker, Hodge & Smith, PLLC  
400 Krystal Building  
One Union Square  
Chattanooga, Tennessee 37402  
Phone: (423) 265-2000  
Facsimile: (423) 756-5861

III. EPB seeks a Certificate to provide a full range of telecommunications services as would normally be provided by an incumbent local exchange telephone company including, but not limited to, dedicated and switched access services, private line services, local dial tone, toll services and enhanced services. Additionally, EPB may augment its service offerings in the future and add new services and capabilities as they become available from the Incumbent Local Exchange Carrier ("ILEC"). EPB has constructed a fiber optics network for its own electric system uses in and around downtown Chattanooga, Tennessee, which network has excess capacity that is usable for telecommunications services. Accordingly, EPB plans to operate as a facilities-based local exchange provider, initially utilizing excess capacity on its fiber optics network and supplementing its services by reselling services of the ILEC. EPB, therefore, seeks certification as a facilities-based competitor. EPB will also ensure that its customers have access to the following services: 911, directory assistance, dual party relay service and directory listing. Subject to the limitations set forth in Paragraph VI, below, and as allowed by state and



federal law, EPB requests a Certificate to offer these services in the following Tennessee Counties: Hamilton, Bledsoe, Bradley, Marion, Rhea and Sequatchie.

IV. EPB has the managerial, financial and technical fitness to provide the applied-for services in the State of Tennessee.

**A. Managerial Fitness.** EPB, led by Harold E. DePriest, President and Chief Executive Officer, has an excellent senior management team, backed by experienced employees, who are competent in engineering, operations, customer service and marketing. This same management team will initially manage the telecommunications operations of EPB, although it is contemplated that additional managers experienced in telecommunications operations will be recruited to join the EPB management team. Attached to this application as Exhibit A is a list of the names of the Applicant's principal company officers and a description of each officer's background and experience. As shown in Exhibit A, these officers of the company have substantial managerial experience in the areas of utility engineering, utility operations, utility customer service and utility marketing — each of which is essential to success in the telecommunications field. In addition, EPB has contracted with Competitive Communications Group, L.L.C. ("CCG"), an independent telecommunications consulting firm to provide assistance and support to its competitive entry into the local exchange business in Tennessee to ensure compliance with all regulatory requirements. Also through its contract with Globe Telecommunications, Inc. ("Globe Telecommunications"), who established and is operating Competing Local Exchange Carriers ("CLEC's") in Newnan

and LaGrange, Georgia, EPB will have available considerable managerial expertise from the telephone industry in general and CLEC's in particular.

**B. Financial Fitness.** EPB submits herewith its 1997 Annual Report for the fiscal year ending June 30, 1997, attached as Exhibit B, and the Balance Sheet and the Income and Expenses Statement showing the unaudited numbers for the fiscal year ending June 30, 1998, attached as Exhibit C, which demonstrate that EPB is financially qualified to provide local exchange service in Tennessee. EPB will make available sufficient working capital through intercompany loans to its Telecommunications Division in accordance with Public Chapter 531 of the Public Acts of 1997 and such other federal, state, or local authorizations as now exist or may hereafter be enacted or amended from time to time. On August 28, 1998, the Board of the Electric Power Board authorized an intercompany loan of up to ten million dollars.

**C. Technical Fitness.** Applicant EPB is technically qualified to offer local exchange services. EPB maintains its own dedicated Engineering Division under the direction of Steve Lawrence, Vice President of Engineering. In addition to its expertise in electric system applications, the Engineering Division has acquired significant expertise in telecommunications system applications recently in the development and construction of a fiber optics network, and historically in the operation of a Supervisory Control and Data Acquisition (SCADA) system, the use of microwave and other wireless technologies, and the development of EPB's own local area network. EPB has contracted with CCG to

provide technical assistance and support to EPB's competitive entry into the local exchange business in Tennessee. EPB has additional technical assistance and support from Globe Telecommunications through its contract.

Applicant EPB possesses the requisite level of telecommunications expertise and is technically qualified to provide local exchange telecommunications services in Tennessee.

V. EPB proposes to offer a wide range of telecommunications services including, without limitation, private line and special access service, exchange access service, and local exchange service. In particular, Applicant intends to provide any and all services which are or may be provided by a local exchange carrier such as:

- Local usage;
- IntraLATA toll;
- Lifeline Services;
- Inside Wire Arrangements;
- Wire Maintenance Plans;
- 911/E911, 411/Directory Assistance, Relay Service;
- Operator Services;
- CLASS Services and Features;
- Repairs and Maintenance;
- Centrex; and
- Any other local exchange carrier services as they become technologically available.

EPB's Business Plan Summary is attached as Exhibit D. A draft of its tariff for the Telecommunications Division is attached as Exhibit E. The Applicant intends to enter into interconnection agreements with ILEC's. Applicant will offer its services as both a re-seller and a facilities-based provider.

VI. EPB does not propose to offer telecommunications services in areas served by any incumbent local exchange telephone company

with fewer than 100,000 total access lines except for those that have voluntarily entered into an agreement with a competing telecommunications service provider or those that have applied to provide telecommunications services in an area outside its service area existing on June 6, 1995, or unless otherwise permitted by applicable state or federal law. EPB does not, by this Application, seek authority to provide service in any area served by a telephone cooperative.

VII. Applicant EPB is familiar with and will adhere to the Authority's rules, policies and orders regarding the provision of telecommunications service. The name and telephone number of the contact person authorized to respond to Authority inquiries is listed in Paragraph II, above.

VIII. As a competitive carrier, EPB will maintain its book of accounts in accordance with Generally Accepted Accounting Principles ("GAAP").

IX. Applicant's small and minority-owned business plan adopted by the Board on August 28, 1998, is submitted as Exhibit F. Applicant acknowledges the importance of supporting small and minority-owned telecommunications businesses and agrees to contribute its share to the fund established by the Department of Economic and Community Development in accordance with T.C.A. § 65-5-213.

X. EPB is not required to have a franchise from the City of Chattanooga; does not at this time have any franchises from other local governments; and does not, by this Application, seek

authority to provide service pursuant to any franchise documents of any other municipal or county government.

WHEREFORE, Applicant prays that:

1. The Tennessee Regulatory Authority grant Applicant a Certificate of Public Convenience and Necessity to provide telecommunications services in Hamilton, Bledsoe, Bradley, Marion, Rhea and Sequatchie Counties in the State of Tennessee, to the extent permitted by law; and

2. The Tennessee Regulatory Authority grant Applicant such other, further and general relief as it might be entitled to under the premises.

DATED this 3<sup>rd</sup> day of September 1998.

Respectfully submitted,

ELECTRIC POWER BOARD OF CHATTANOOGA

By: 

Harold E. DePriest  
President and Chief Executive  
Officer  
P.O. Box 182255  
Chattanooga, Tennessee 37422-7255

STRANG, FLETCHER, CARRIGER,  
WALKER, HODGE & SMITH, PLLC

By: 

Carlos C. Smith  
William C. Carriger  
Mark W. Smith  
400 Krystal Building  
One Union Square  
Chattanooga, Tennessee 37402  
Attorneys for Petitioner

## VERIFICATION

State of Tennessee:  
County of Hamilton:

I am authorized to represent the Electric Power Board of Chattanooga and to make this verification on its behalf. The statements in the foregoing application and exhibits are true and correct to the best of my knowledge, information and belief.

BY: Harold E. Depriest

NAME: Harold E. Depriest

TITLE: President and Chief  
Executive Officer

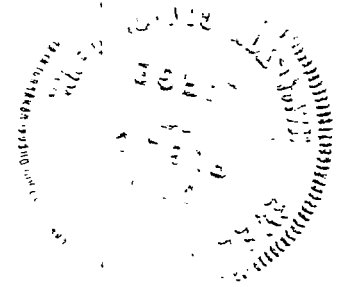
DATE: September 3, 1998

STATE OF TENNESSEE:  
COUNTY OF HAMILTON:

Sworn to and subscribed before me this 3<sup>rd</sup> day of September, 1998.

Evelyn Whitaker  
Notary Public

My commission expires: 3/8/99



CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing pleading on behalf of the Electric Power Board of Chattanooga, via United States mail, first class postage prepared and properly addressed to the following:

Dennis P. McNamee, Esquire  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Guy M. Hicks, General Counsel  
BellSouth Communications, Inc.  
333 Commerce Street  
Suite 2101  
Nashville, Tennessee 37201-3300

Val Sanford, Esquire  
Gullett, Sanford, Robinson & Martin  
P.O. Box 198888  
Nashville, Tennessee 37219-8888

James P. Lamoureux, Esquire  
AT&T Communications of the South Central States, Inc.  
1200 Peachtree Street N.E.  
Room 4060  
Atlanta, Georgia 30309

Charles B. Welch, Jr., Esquire  
Farris, Mathews, Gilman, Branam & Hellen, P.L.C.  
2400 Nashville City Center  
511 Union Street  
Nashville, Tennessee 37219

Vance L. Broemel, Esquire  
Assistant Attorney General  
Consumer Advocate Division  
Cordell Hull Building  
Second Floor  
425 Fifth Avenue, North  
Nashville, Tennessee 37243-0500

Henry Walker, Esquire  
Attorney for ACSI & NextLink  
Boult, Cummings, Connors & Berry  
P.O. Box 198062  
Nashville, Tennessee 37219

Dana Shaffer, Esquire  
NextLink Tennessee, LLC  
105 Malloy Street, Suite 300  
Nashville, Tennessee 37201

Jon E. Hastings, Esquire  
Boult, Cummings, Conners & Berry  
P. O. Box 198062  
Nashville, Tennessee 37219

Michael R. Knauff  
Tennessee Power Company  
4612 Maria Street  
Chattanooga, Tennessee 37411

This 4<sup>th</sup> day of September, 1998.



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Strang, Fletcher, Carriger, Walker  
Hodge & Smith, PLLC



# **EXHIBIT A**

## EXHIBIT A

### Harold E. DePriest, President and Chief Executive Officer

Harold E. DePriest, an electrical engineer who began his career at the Electric Power Board of Chattanooga in 1971 as a Junior Engineer, became its General Manager on October 1, 1996. He succeeded Kenneth S. Baxter, becoming the sixth General Manager in EPB history. Shortly after his appointment, Mr. DePriest's title was changed to President and Chief Executive Officer in keeping with similar leadership positions in the business community.

Mr. DePriest worked in EPB's Engineering Division for 13 years, advancing in 1977 to Superintendent of the Underground Engineering Department. He was promoted to Manager of the General Services Division in 1984 and became Operating Division Manager in 1986. On May 20, 1996, he was appointed Assistant General Manager.

While Mr. DePriest was Manager of the Operating Division, which installs, operates, and maintains EPB's electric system, he focused on finding ways to increase the reliability of the system and to shorten the response time when power outages occur. He led the division efforts to restore service following the Blizzard of 1993, the Ice Storm of 1994, Hurricane Opal in 1995, and the Ice Storm of 1996.

A native of Linden, Tennessee, Mr. DePriest graduated with honors from Tennessee Technological University in Cookeville with a degree in Electrical Engineering and he obtained an MBA degree from the University of Tennessee at Chattanooga. He is a member of the Rotary Club and serves on the boards of the Chamber of Commerce, the Southeastern Industrial Development Association, the United Way, and RiverValley Partners.

### Ronald N. Fugatt, Executive Vice President

Ronald N. Fugatt, an electrical engineer, who began his career at the Electric Power Board in 1968 as an Assistant Engineer, became Executive Vice President on September 1, 1997.

Mr. Fugatt worked in EPB's Operating Division for 18 years, advancing to Manager of that division in 1979. In 1986 he was named Manager of the General Services Division and in 1989 became Manager of the Engineering Division and in December 1996 his title was changed to Vice President, Engineering.

During Mr. Fugatt's career he has been instrumental in moving EPB into new opportunities, having developed the first computer-based Supervisor Control and Data Acquisition System for EPB and outlined a new protection scheme that led to significant improvements in outage reduction and improvement in customer service. As Manager of Engineering, Mr. Fugatt oversaw the development of Customer

EXHIBIT A

Service policies and the design of rates in addition to the provisioning of electric service to 150,000 customers.

A native of Hixson, Tennessee, Mr. Fugatt graduated with High Honors from the University of Tennessee at Knoxville with a degree in Electrical Engineering and he is a registered professional engineer in Tennessee. He is a member of the Hixson Kiwanis Club and he serves on the Board of the A.I.M. Center, a mental health advocacy group.

Stephen W. Lawrence, Vice President, Engineering

Steve Lawrence, an electrical engineer who began his career at EPB as a Junior Engineer in 1970, became Vice President, Engineering on September 1, 1997.

Mr. Lawrence has worked continuously in EPB's Engineering Division advancing to Manager of Planning and Network Department prior to his appointment as Vice President, Engineering.

During Mr. Lawrence's career he has been instrumental in developing mainframe computer programs for work order design, work scheduling, and plant record accounting. Additionally, Mr. Lawrence oversaw the provisioning of overhead facilities. Prior to becoming Vice President, Engineering, he oversaw the planning function of the electric system and the development of EPB's underground network.

A native of Watertown, Tennessee Mr. Lawrence graduated from Tennessee Technological University in Cookeville with a degree in Electrical Engineering.

Rose M. Baxter, Vice President, Accounting

Rose M. Baxter, an accountant, began her career with the Electric Power Board of Chattanooga in 1972 as an accountant in the Finance Division. Mrs. Baxter has worked her entire career in EPB's Finance Division, advancing from Accountant to Manager of the Division in 1993. Her title was changed to Vice President, Finance in December 1996.

During Mrs. Baxter's years here at EPB, she has been responsible for the General Accounting function as well as for cash management of EPB funds. In addition to these responsibilities she serves as Secretary-Controller of the Electric Power Board.

Mrs. Baxter is a native of Chattanooga; graduated from the University of Tennessee at Chattanooga with a degree in Business Administration. She is a Certified Public Accountant in Tennessee -- earned her certificate in 1971. Mrs. Baxter is a member of the Kiwanis Club of Chattanooga.

EXHIBIT A

Jackson L. Case, III, Vice President, Operating Division

Mr. Case, an electrical engineer, began his career with the Electric Power Board of Chattanooga in 1967 as a Junior Engineer in the Operating Division. He served as Manager of the System Operating Department and then the Overhead Line Department before being promoted to Vice President, Operating Division in May 1996.

Throughout his career in this division, Mr. Case has been responsible for outside electric plant construction, maintenance, and operations. Construction includes the installation of facilities necessary to connect all new electric customers. Mr. Case oversaw the installation of EPB's fiber loop when it was installed in 1996.

A native of Chattanooga, Mr. Case graduated from the University of Tennessee at Knoxville with a degree in Electrical Engineering. He is a member of the Chattanooga Civitan Club.

Steve L. Clark, Vice President, General Services Division

Steve Clark, an Electrical Engineer, began his career at EPB in 1975 as a Junior Engineer in the Engineering Division. He transferred to the Operating Division in 1982 and became the Superintendent of System Operating in 1992. He was named Vice President, General Services in 1997.

As Vice President of General Services, Mr. Clark is responsible for EPB's communication needs both wire and wireless. EPB owns and is responsible for maintaining a complex PBX switch and a two-way radio and microwave system.

In System Operating Mr. Clark was responsible for the implementation and operation of a sophisticated service restoration system and developed an outage reporting system that is used to analyze system conditions to determine reliability statistics and to establish maintenance priorities.

A native of Chattanooga, Mr. Clark graduated from Tennessee Technological University, Cookeville with a degree in Electrical Engineering. He is past president and member of the executive committee for the Chattanooga Electric League and is an officer of the Chattanooga Chapter of the International Association of Electrical Inspectors. He has also served on the Board of Directors of the North River YMCA.

**EXHIBIT A**

**Richard L. Garner, Vice President, Pricing and Policy Development**

Richard L. Garner, also an electrical engineer, began his career at EPB in 1958 as a Junior Engineer in the Engineering Division. Mr. Garner worked in that division for 31 years, advancing to the position of Manager of the division in 1983. In 1989 he was named Manager of the General Services Division -- title was changed in December 1996 to Vice President, General Services. In November 1997 Mr. Garner became Vice President, Pricing and Policy Development.

As Vice President, Pricing and Policy Development, Mr. Garner is responsible for developing and coordinating the pricing and policies for electric service and for coordinating these with changes to the electric industry (restructuring) that is being debated.

As Vice President, General Services, Mr. Garner was responsible for EPB's communication needs both wire and wireless. EPB owns and is responsible for maintaining a complex PBX switch, and a complex two-way radio and microwave system.

In Engineering, Mr. Garner was responsible for the enhancement of EPB's Service Restoration System, which enables EPB to respond quickly and to manage small and catastrophic system disturbances and subsequent customer outages.

Reared in Lafollette, Tennessee, Mr. Garner graduated from the University of Tennessee at Knoxville with a degree in Electrical Engineering. He is a member of the Brainerd Kiwanis Club.

**W. PRESTON SUGGS, Vice President, Customer Services**

W. Preston Suggs, a Certified Public Accountant, began his career with the Electric Power Board of Chattanooga, as an accountant in 1977. He served as Manager of Cash Management prior to his being promoted to Vice President, Customer Services in October 1997.

Mr. Suggs is responsible for Customer Revenue which includes Marketing, Billing, and Collecting sections as well as Customer Service, which includes EPB's Customer Information Center. Mr. Suggs is also familiar with EPB's finances due to his years of experience in Cash Management.

A native of Rossville, Georgia (a community which adjoins Chattanooga), Mr. Suggs is a graduate of the University of Georgia. For the past five year Mr. Suggs has been a representative on The

Metropolitan Planning Organization; a group that deals with transportation issues within the Chattanooga metropolitan area, including communities in North Georgia.

## **EXHIBIT B**

# **EXHIBIT C**



**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**BALANCE SHEET**  
**JUNE 30, 1998**

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<u>ASSETS AND OTHER DEBITS</u>	<u>THIS YEAR</u>	<u>LAST YEAR</u>
<b><u>ELECTRIC PLANT</u></b>		
Electric Plant in Service	\$ 302,384,540.28	\$ 290,132,686.29
Construction Work in Progress	11,178,788.52	7,369,412.80
Total Electric Plant	\$ 313,563,328.80	\$ 297,502,099.09
Provision for Depreciation	(125,933,663.00)	(118,266,183.59)
Net Electric Plant	\$ 187,629,665.80	\$ 179,235,915.50
<b><u>SEGREGATED FUNDS</u></b>		
Renewal and Replacement Fund	\$ 10,043,472.89	\$ 3,993,198.65
Contingency Fund	2,250,000.00	2,250,000.00
Total Segregated Funds	\$ 12,293,472.89	\$ 6,243,198.65
<b><u>CURRENT AND ACCRUED ASSETS</u></b>		
Electric Fund - Cash and Investments	\$ 40,874,381.24	\$ 16,380,210.13
Petty Cash Funds	76,400.00	75,800.00
Accounts Receivable - Electric Service	13,714,057.48	11,289,333.74
Provision for Uncollectible Accounts	(391,734.28)	(441,930.62)
Accounts Receivable - Merchandise	676.71	2,463.32
Accounts Receivable - Conservation Programs	633,175.09	1,453,061.51
Accounts Receivable - Miscellaneous	686,360.51	1,276,013.18
Provision for Uncollectible Accounts	(4,996.34)	(3,477.18)
Unbilled Electric Sales	21,030,768.00	14,314,673.00
Material and Supplies	4,178,386.96	3,811,461.53
Merchandise	-	5,828.73
Prepayments	915,497.18	3,068,421.09
Interest Receivable	165,957.60	120,569.12
Rents Receivable	422,454.91	773,356.23
Total Current and Accrued Assets	\$ 82,301,385.06	\$ 52,125,783.78
<b><u>DEFERRED DEBITS</u></b>		
Clearing Accounts	\$ 3,541.51	\$ 4,643.60
TVA Conservation Program Loans	7,735,196.46	9,768,239.53
Other Deferred Debits	216,195.49	174,780.56
Total Deferred Debits	\$ 7,954,933.46	\$ 9,947,663.69
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 290,179,457.21</b>	<b>\$ 247,552,561.62</b>

ELECTRIC POWER BOARD OF CHATTANOOGA  
BALANCE SHEET  
JUNE 30, 1998

Page A - 3

LIABILITIES AND OTHER CREDITS	THIS YEAR	LAST YEAR
<b>CAPITALIZATION</b>		
Accumulated Net Income Invested in Electric Plant and Utilized for Bond Retirements and Working Capital	\$ 202,338,921.55	\$ 187,894,897.01
<b>NONCURRENT LIABILITIES</b>		
Accumulated Provision for Postretirement Benefits	\$ 11,120,725.59	\$ 11,133,871.68
Advances for TVA Conservation Programs	8,575,565.17	11,410,151.83
Total Other Noncurrent Liabilities	\$ 19,696,290.76	\$ 22,544,023.51
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Accounts Payable - TVA - Purchased Power	\$ 46,725,665.14	\$ 17,272,446.95
Accounts Payable - Vouchers	1,026,721.18	517,965.88
Accounts Payable - Other	1,185,456.80	1,131,259.61
Customer Deposits	6,570,246.00	6,177,195.00
Interest Accrued on Customer Deposits	1,605,979.18	1,516,302.24
Accrued Taxes and Tax Equivalents	6,521,634.58	6,545,594.71
Accrued Vacation	1,168,602.44	1,002,928.91
Other Current and Accrued Liabilities	940,318.37	821,762.37
Total Current and Accrued Liabilities	\$ 65,744,623.69	\$ 34,985,455.67
<b>DEFERRED CREDITS</b>		
Sick Leave Compensation	\$ 1,768,328.57	\$ 1,763,339.33
Supplemental Pension Benefits	108,380.96	8,638.37
Other Deferred Credits	522,911.68	356,207.73
Total Deferred Credits	\$ 2,399,621.21	\$ 2,128,185.43
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<b>\$ 290,179,457.21</b>	<b>\$ 247,552,561.62</b>

**ELECTRIC POWER BOARD OF CATTANOOGA  
INCOME AND EXPENSE STATEMENT  
JUNE 1998**

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	CURRENT MONTH	FISCAL YEAR TO DATE	
		THIS YEAR	LAST YEAR
<b><u>OPERATING REVENUE</u></b>			
<b><u>Electric Sales</u></b>			
Residential	\$ 10,843,609.04	\$ 130,625,946.26	\$ 115,738,060.07
Small Commercial and Power	2,240,134.74	24,113,417.30	21,687,767.94
Large Commercial and Power	14,296,986.02	159,997,801.27	146,806,500.28
Outdoor Lighting	403,471.41	4,716,885.60	4,441,373.76
Total Billed Electric Sales	\$ 27,784,201.21	\$ 319,454,050.43	\$ 288,673,702.05
Change in Unbilled Electric Sales	3,803,436.00	6,716,095.00	(2,588,593.00)
Total Electric Sales	\$ 31,587,637.21	\$ 326,170,145.43	\$ 286,085,109.05
<b><u>Other Electric Revenue</u></b>			
Payments in Excess of Net Rates	\$ 139,171.15	\$ 2,116,802.05	\$ 2,024,348.73
Miscellaneous Service Revenue	60,428.51	741,809.19	711,246.71
Rent from Electric Property	129,884.69	1,530,040.72	1,493,697.47
Miscellaneous Electric Revenue	677.93	9,322.15	10,160.16
Total Other Electric Revenue	\$ 330,162.28	\$ 4,397,974.11	\$ 4,239,453.07
Total Operating Revenue	\$ 31,917,799.49	\$ 330,568,119.54	\$ 290,324,562.12
<b><u>OPERATING EXPENSES</u></b>			
Purchased Power	\$ 25,335,331.81	\$ 262,398,841.69	\$ 234,444,056.91
Transmission	\$ 104,252.14	\$ 1,074,698.37	\$ 1,055,184.28
Distribution	1,678,481.50	17,762,017.61	16,404,814.19
Customer Accounts	652,311.78	6,204,015.09	5,402,454.27
Customer Assistance	65,116.78	974,590.38	1,510,490.47
Marketing	88,238.36	752,891.29	699,045.08
Administrative and General	919,353.72	10,753,812.25	10,444,608.36
Operating Exp. Excl. Purchased Power	\$ 3,507,754.28	\$ 37,522,024.99	\$ 35,516,596.65
Operating Exp. Incl. Purchased Power	\$ 28,843,086.09	\$ 299,920,866.68	\$ 269,960,653.56
Depreciation	862,704.53	10,082,506.81	9,732,016.24
Property Tax Equivalents	546,412.53	6,551,260.51	6,585,337.02
Social Security and Other Taxes	102,530.26	1,312,189.39	1,252,075.84
Total Operating Expenses	\$ 30,354,733.41	\$ 317,866,823.39	\$ 287,530,082.66
Operating Income	\$ 1,563,066.08	\$ 12,701,296.15	\$ 2,794,479.46
<b><u>OTHER INCOME</u></b>			
Interest Income on Invested Funds	\$ 187,493.64	\$ 2,044,846.83	\$ 1,701,759.78
Other	2,074.05	9,697.56	3,937.46
Total Other Income	\$ 189,567.69	\$ 2,054,544.39	\$ 1,705,697.24
<b><u>OTHER DEDUCTIONS</u></b>			
Interest Expense	\$ 25,979.25	\$ 311,816.00	\$ 294,422.62
Other	-	-	-
Total Other Deductions	\$ 25,979.25	\$ 311,816.00	\$ 294,422.62
Net Income	\$ 1,726,654.52	\$ 14,444,024.54	\$ 4,205,754.08

# **EXHIBIT D**

## **BUSINESS PLAN SUMMARY**

### **A. GENERAL OVERVIEW**

The Electric Power Board of Chattanooga has been a provider of electric service to the City of Chattanooga and surrounding area for almost 60 years. EPB will, through its Telecommunications Division, become a Competing Local Exchange Provider in an effort to assure that our community has state-of-the-art telecommunication services that meet the community's needs and are economically priced. EPB's Telecommunications Division Business Plan will implement this objective.

Having observed from several businesses in our area that economically priced, high-speed data connections are needed and that changes in the electricity industry will only add to the need for more telecommunication capacities, EPB has combined these two requirements in planning to expand a fiber-based network to make available data and other telecommunication services.

Building on a currently installed loop of 10 miles of fiber, EPB will install, or have installed by others, the electronics, access, and switching to provide a full range of services and be a Facilities Based Competitive Local Exchange Carrier.

The emphasis will be on businesses both large and small, as well as local governments and the educational and health service industries.

Connectivity to customers will be provided by a digital Central Office Switch using the EPB installed network, negotiating Interconnection Agreements with BellSouth, and leasing access facilities from other available sources.

Demand for services will be strong, since customers will have a Locally Controlled Facilities Based alternative. In addition, the following will occur to ensure demand for EPB services:

- **Data Services available to more businesses.**
- **Pricing will be lower than existing prices.**
- **Customer Service will be top priority and will be performed locally.**
- **New jobs will be added to the community as more services are purchased.**

A variety of customer services and products will be offered that customers need and understand.

## **B. NETWORK**

EPB plans to develop a robust fiber-based network that will not only support the Local Exchange business, but will offer data channels and point-to-point connections. Through Interconnection Agreements, EPB will be able to purchase local loops to make possible more customer use of EPB services. Negotiations remain for interconnection with BellSouth and for emergency services, 911, Operator Services, Directory Assistance, etc.

## **C. OPERATIONS**

EPB's integration of advanced telecommunication and information technology systems will enhance its ability to offer cost-effective and newly available services. To supplement EPB's expertise in developing outside plant and its commitment to customer service, EPB has contracted with an experienced consultant whose expertise will enhance EPB's management and marketing efforts. This contract with Competitive Communications Group (CCG) brings many years of experience in Sales, Marketing and in training Customer Service personnel. Since one principal of CCG managed the Start Up of a CLEC, the organizational support will make EPB's effort successful.

Another contract with Globe Telecommunications, Inc. will bring additional management and New Business Roll Out experience. Globe is providing switching, billing, and customer care supervision backed by their team of management with many years of telecommunication experience which will allow EPB to rapidly establish a high level of customer service and system reliability.

In addition to current EPB expertise and contracted assistance, EPB will staff the Telecommunications Division with experienced telecommunication professionals. Selection of the professionals will be made by EPB with assistance from CCG and Globe.

## **D. REVENUE SOURCES**

- **Data and High Band Width Products** - DS-1's, DS-3's, XDSL, and a ADSL and other data needs support by OC-12 and Nortel DMS 500 switch technology.
- **Small Businesses** - Switched access with CLASS features, CENTREX, Voice Mail, Fax Mail
- **Large Business** - Switched access with CLASS features, CENTREX, Voice Mail, Fax Mail, and Dedicated Access Lines
- **Toll** - Resale of wholesale purchased toll minutes
- **Residential** - Local Access, Toll, and various Custom Calling Features.

## **E. TECHNICAL DETAILS**

EPB of Chattanooga, through its agreement with Globe Telecommunications, will install state-of-the-art telecommunication equipment for its local network.

EPB's Network will include:

- Nortel DMS 500 local switching equipment.
- Transmission equipment which will have SONET (Synchronous Optical Network) connectivity to the DMS 500 switch.
- Latest operating software within the DMS 500 switch, which will allow connectivity to cellular switches, wireless connectivity, access nodes or smart remotes.
- Transmission and switching equipment, which will be engineered and equipped with redundancy and resiliency, will ensure a 99.9% availability of service to subscribers.
- Access nodes, which will allow the extension and availability of features (CENTREX, ISDN, etc).
- Switch, Access Nodes, and transmission equipment will be supported by integrating alarms into EPB's Power Dispatch Center enabling very responsive Customer Service Representatives and Technicians for both network and switch.

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# **EXHIBIT E**



# **DRAFT**

## **TARIFF**

### **SCHEDULE OF RATES, RULES AND REGULATIONS GOVERNING LOCAL TELECOMMUNICATION SERVICES OFFERED BY**

#### **ELECTRIC POWER BOARD OF CHATTANOOGA TELECOMMUNICATIONS DIVISION**

#### **APPLYING TO THE FOLLOWING SERVING AREA:**

#### **CHATTANOOGA, TENNESSEE**

Issued: September 3, 1998

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Electric Power Board  
536 Market Street  
Chattanooga, TN 37402

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**DESCRIPTION AND AREA OF OPERATIONS**

Electric Power Board of Chattanooga Telecommunications Division (Company) is providing telephone and telecommunication services according to Tennessee Code Annotated 7-52-401, et seq. in the areas certificated to the Company by the Tennessee Regulatory Authority (TRA).

Headquarters for the Company are located at:

536 Market Street  
Chattanooga, TN 37402

Business Offices for the Company are located at:

536 Market Street  
Chattanooga, TN 37402

Mailing Address for the Company:

P.O. Box 182255  
Chattanooga, TN 37422-7255

Company representatives may be contacted at (NPA) XXX-XXXX

**Areas of Operation**

The Company Service Area will encompass the following area(s).

<b><u>Exchange</u></b>	<b><u>NPA-NXX</u></b>
Chattanooga	TBD

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## **DEFINITIONS OF TERMS**

### **ACCESS LINE**

A central office circuit or channel which provides access to the telephone network for local and long distance telephone services.

### **AIR LINE MEASUREMENT**

The shortest distance between two points. A measurement for computation of mileage charges between termination points.

### **ANCILLARY DEVICES**

All terminal equipment except telephone instruments, PBX-PABX systems, key systems and data services.

### **ANSWERING EQUIPMENT**

Equipment that will automatically answer incoming calls and make an announcement. It may also be equipped to record messages.

### **APPLICANT**

Any person, partnership, corporation, or any combination thereof requesting service or action from the Company.

### **AUTHORIZED PROTECTIVE CONNECTING MODULE**

A protective unit approved by the Company which is manufactured in accordance with the design set forth in Part 68 of the Federal Communications Commission's Rules and Regulations.

### **AUTHORIZED USER**

A person, firm or corporation (other than the Customer) who has been authorized by the Company to communicate over a private line or channel according to the terms of the Tariff and (1) on whose premise a station of the private line service is located or (2) who receives from or sends to the Customer over such private line or channel communications relating solely to the business of the Customer

## DEFINITIONS OF TERMS

### **BUILDING (Same)**

A structure under one roof, or two or more structures under separate roofs but connected by passageways, in which the Company's wires or cables can be safely run provided the plant facility requirements are not appreciably greater than would normally be required if all structures were under one roof. In those cases where there are several structures under separate roofs but connected by passageways and the plant facility requirements for furnishing telephone service are appreciably greater than would normally be required if all the structures were under one roof, the term "Same Building" applies individually to each of the separate structures.

### **BUSINESS SERVICE**

Telecommunications service furnished to Customers where the primary or obvious use is of a business, professional, institutional or otherwise occupational nature.

### **CALL**

An attempted communication, whether completed or not.

### **CALLING AREA**

See "Local Service Area."

### **CANCELLATION CHARGES**

A charge applicable under certain conditions when the application for service and/or facilities is canceled in whole or in part prior to the completion of the work involved or before the contract period is completed.

### **CENTRAL OFFICE**

A switching unit in a telecommunications system which provides service to the general public, having the necessary equipment and operating arrangements for the terminating and interconnecting of exchange lines and trunks or trunks only. There may be more than one central office in a building or exchange.

### **CHANNEL**

A path, or combination of paths, for communication between two or more stations or Company offices and furnished in such a manner as the Company may elect, whether by wire, radio or a combination thereof and whether or not by means of a single physical facility or route.

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## DEFINITIONS OF TERMS

### CIRCUIT

A channel used for the transmission of energy in the furnishing of telephone and other communication services further described as:

- (a) Two (2) wire circuit: A circuit using one (1) transmission path, which may be one (1) carrier pair or one (1) pair of metallic conductors.
- (b) Four (4) wire circuit: A circuit using two (2) one (1) way transmission paths, which may be two (2) carrier paths or two (2) pairs of metallic conductors

### CLASS OF SERVICE

A description of telecommunications service furnished a Customer which denotes such characteristics such as nature of use (business or residence) or type of rate (flat or message rate). Classes of service are usually subdivided in grades, such as individual or multi-party line.

### COMMUNICATIONS SYSTEMS

Channels and other facilities which are capable, when not connected to exchange telecommunication service, of two (2) way communication between Customer-provided terminal equipment.

### COMPANY

Electric Power Board of Chattanooga Telecommunications Division

### COMPLEX SERVICE

The provision of a circuit requiring special treatment, special equipment or special engineering design.

### CONDUIT

A tubular runway for cable facilities

### CONNECTING COMPANY

A corporation, association, firm or individual owning and operating a toll line or one or more central offices and with whom traffic is interchanged.

### CONNECTION

Denotes the establishment of telephone service. A move of existing service to a different premise requires a connection.

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## DEFINITIONS OF TERMS

### CONNECTION CHARGE

See "Service Charges."

### CONSTRUCTION CHARGE

A separate initial charge made for construction of pole lines, circuits, facilities, etc., in excess of that contemplated under the rates quoted in the Tariff.

### CONTINUOUS PROPERTY

The plot of ground, together with any building thereon, occupied by the Customer, which is not divided by public highways or separated by property occupied by others. Where a Customer occupies property on both sides of a street, alley, highway, body of water, railroad right-of-way, etc., and the properties would otherwise be continuous, such properties are treated as continuous property, provided local wire or cable facilities are used and the Customer furnishes all local distribution pole line facilities or underground conduit required in connection therewith.

### CONTRACT

The service agreement between a Customer and the Company under which service and facilities for communication between specified locations for designated periods and for the use of the customer and its specifically named authorized users are furnished in accordance with the provisions of this Tariff.

### CONTRACT PERIOD

The length of time for which a Customer is responsible for the charges associated with the services, facilities, and equipment under contract.

### COST OR COST BASIS

Cost of equipment and materials provided or used plus the cost of installation including, but not limited to, engineering, labor, supervision, transportation, right-of-way, other items which are chargeable, and the actual expense incurred by the Company relating to the call-out of Company personnel.

### CUSTOM CALLING SERVICES

Custom Calling Services provide for call features like Call Waiting and Call Forwarding and is furnished in connection with individual line service.

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## **DEFINITIONS OF TERMS**

### **CUSTOM LOCAL AREA SIGNALING SERVICES (CLASS)**

Custom Local Area Signaling Services (CLASS) are enhanced services associated with Signal System Seven (SS7) technology. CLASS is furnished in connection with individual line service (private line).

### **CUSTOMER**

Any person, firm, partnership, corporation, municipality, cooperative organization or governmental agency furnished communication service by the Company under the provisions and regulations of this Tariff. The Customer is responsible for compliance with the rules and regulations of the Company, and is responsible for ensuring payment of the charges.

### **CUSTOMER PREMISE INSIDE WIRE**

All wire within a Customer's premise, including connectors, jacks, and miscellaneous materials associated with the wire's installation. Premise inside wire is located on the Customer's side of the Company's premise protector. By definition, Customer premise inside wire excludes house, riser, buried, and aerial cable.

### **CUSTOMER-PROVIDED TERMINAL EQUIPMENT**

Devices or apparatus and their associated wiring provided by a Customer, which may be connected to the communications path of the Company's exchange network either electrically, acoustically or inductively.

### **CUSTOMER TROUBLE REPORT**

Any oral or written report from a Customer received by the Company relating to a physical defect or to difficulty or dissatisfaction with the service provided by the Company's facilities. One (1) report shall be counted for each oral or written report received even though several items are reported by one (1) Customer at the same time, unless the group of troubles so reported is clearly related to a common cause.

### **DEMARCATIION POINT**

The point of interconnection between the Company's communications facilities and the terminal equipment, protective apparatus or inside wiring at a Customer's premise. The demarcation point is located on the Customer's side of the Company's protector or equivalent.

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## DEFINITIONS OF TERMS

### DIRECT BURIAL

The installation of cables or conductors directly in the earth and not in conduit or duct.

### DIRECT CONNECTION

Connection of terminal equipment to the Company's exchange facilities by means other than acoustic and/or inductive coupling.

### DIRECT ELECTRICAL CONNECTION

A physical connection of the electrical conductors in the communications path.

### DIRECTORY

A book which is published by the Company and typically lists each telephone Customer alphabetically, with his/her service location and telephone number.

### DIRECTORY ASSISTANCE SERVICE

Directory assistance service is furnished to supplement the information available in the Company directory, and to furnish telephone numbers to users who are not able to find the listing in their directory.

### DIRECTORY LISTING

The publication of the Company's directory and/or directory assistance records of information relative to a Customer's telephone number, by which telephone users are able to ascertain the telephone number of a desired party.

### DISCONNECT NOTICE

The written notice sent to a Customer following billing, notifying the Customer that service will be disconnected if charges are not satisfied by the date specified on the notice.

### DISCONNECTION OF SERVICE

An arrangement for a permanent interruption of telephone service, made at the request of the Customer, or initiated by the Company for violation of Tariff regulations by the Customer. A "final" bill would be rendered showing moneys owed to the Company net of any amounts to be refunded, such as deposits, as of the date the service was disconnected.

### DROP WIRE

Wires used to connect the aerial, buried or underground distribution facilities to the point where connection is made with a Customer's premise.

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## DEFINITIONS OF TERMS

### E911 SERVICE

See Emergency Number Service.

### EMERGENCY NUMBER SERVICE

A telephone exchange communication service whereby a Public Safety Answering Point designated by the Customer may receive and answer telephone calls placed by dialing the number 911. It includes the services provided by the lines and equipment associated with the service arrangement for answering and dispatching of public emergency telephone calls dialed to 911.

### ENTRANCE FACILITIES

Facilities extending from the point of entrance on private property to the premise on which service is furnished.

### EXCHANGE

The area established by the Company for the administration of telecommunications service for which a separate local rate schedule is provided. The area usually embraces a city, town, or village and its environs, and consists of one or more central offices, together with associated plant facilities used in furnishing telecommunications services in that area.

### EXCHANGE AREA

The area within which the Company furnishes complete telephone service from one specific exchange at the exchange rates applicable within that area.

### EXCHANGE SERVICE

Exchange service is a general term describing, as a whole, the facilities for local intercommunications, together with the capability to send and receive a specified or an unlimited number of local messages at charges in accordance with the provisions of the local exchange Tariff.

- (a) Flat rate service: A classification of exchange service furnished a Customer for which a stipulated charge is made regardless of the amount of use.

### FACILITIES

All the plant and equipment of the Company and all instrumentalities owned, licensed, used, controlled, furnished, or supplied for or by the Company, including any construction work in progress allowed by the Commission.

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## DEFINITIONS OF TERMS

### FLAT RATE SERVICE

A classification of exchange service furnished a Customer for which a stipulated charge is made regardless of the amount of use.

### GENERAL EXCHANGE SERVICES

Services furnished by the Company connected to or associated with primary local exchange service.

### HARM

Electrical hazards to Company personnel, damage to Company equipment, malfunctions of Company billing equipment, and degradation of service to persons other than the user as well as the calling or called party.

### HIGH CAPACITY CIRCUIT (HI CAP)

Digital-data transmission service equal to, or in excess of T1 data rates (1.544 Mbits).

### HOUSEHOLD

A household comprises all persons who occupy a dwelling unit. A dwelling unit is a house, an apartment or other group of rooms or a room that constitutes separate living quarters. A household includes the related persons (the head of the household and others in the dwelling unit who are related to the head of the household) and also any lodgers or employees who regularly live in the house. A person living alone or a group of unrelated persons sharing the same dwelling unit as partners is counted as a household.

### IDENTIFICATION NUMBER

An identifying number of a particular model of "Conforming Device" attested by a manufacturer or supplier to comply with the standards and procedures set forth in the Federal Communications Commission's Part 68.

### INDIVIDUAL LINE SERVICE

A classification of exchange service furnished under Tariff provisions which provides that only one exchange access line shall be served by the circuit connected.

### INITIAL NONRECURRING CHARGE

A nonrecurring charge made for the furnishing of telephone services, which may apply in addition to service connection charges.

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## DEFINITIONS OF TERMS

### INITIAL SERVICE PERIOD

The minimum period of time for which service is provided, which is typically one (1) month unless otherwise specified in the Tariff

### INSTALLATION CHARGE

A nonrecurring charge associated with optional service features and may sometimes be called an "initial" charge, and may apply in addition to service connection charges.

### INTEREXCHANGE PRIVATE LINE

A communication path between two (2) or more serving area, and not connected for exchange telephone service.

### INTERFACE

- (a) The junction or point of interconnection between two (2) systems or equipments having different characteristics which may differ with respect to voltage, frequency, speed of operation, type of signal and/or type of information coding including the connection of other than Company-provided facilities to exchange facilities provided by the Company.
- (b) The point of interconnection between Company equipment and communications facilities on the premise of the Customer. Also referred to as demarcation point.

### INTERFACE EQUIPMENT

Equipment provided by the Company at the interface location to accomplish the direct connection of facilities provided by the Company with facilities provided by other than the Company.

### INTERLATA

Long distance Message Telecommunications Service where point locations are in a different Local Access and Transport Area (LATA).

### INTRALATA

Long distance Message Telecommunications Service where service point locations are within the same Local Access and Transport Area (LATA).

### INTRAEXCHANGE CHANNEL SERVICE

Channel connecting two (2) or more "primary terminations" in the same exchange.

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## DEFINITIONS OF TERMS

### INTRAEXCHANGE SERVICE

Telecommunications service confined wholly within a single exchange.

### JACK

A fixed socket designed to permit the establishment of a connection between the local exchange facilities and terminal equipment equipped with cords ending in plugs.

### KEY EQUIPMENT

Switching keys located in the telephone base or other housing arranged to pick up or hold a line, or to communicate with other telephones in the Customer's communications system.

### KEY TELEPHONE SET

A telephone set equipped with keys or buttons in the housing.

### KEY TELEPHONE SYSTEM

An arrangement of equipment in combination with telephone sets and associated keys, to connect those telephones to any one of a limited number of exchange, PBX, intercom or private lines. Line status indicating, signaling, holding or other features, are or may be incorporated.

### LINE

See "Access Line."

### LOCAL ACCESS AND TRANSPORT AREA (LATA)

Denotes a geographic area established for the administration of telecommunications service. It encompasses designated local operating Company serving area which are grouped to serve common social, economic, and miscellaneous purposes.

### LOCAL CALLING AREA

See "Local Service Area."

### LOCAL CHANNEL

Applies to that portion of a channel which connects a station to the interexchange channel or to a channel connecting two (2) or more exchange access lines within an exchange area.

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## **DEFINITIONS OF TERMS**

### **LOCAL EXCHANGE SERVICE**

Telecommunications Service provided within an exchange for the purpose of establishing connections between Customer premise within the exchange, including connections between a Customer premise and a long distance service provider serving the exchange. Local Exchange Service may also be referred to as Local Exchange Telephone Service.

### **LOCAL MESSAGE**

A communication between two (2) or more exchange access lines within the local service area of the calling telephone.

### **LOCAL MESSAGE CHARGE**

The charge that applies for a completed message that is made when the calling exchange access line and the called exchange access line are both within the same local calling area where a local message charge is applicable.

### **LOCAL SERVICE**

The intercommunication (by means of facilities connected with the Company central office or offices and under the provisions of the Company) between exchange access lines located in the same exchange or in different serving area between which no toll rates apply.

### **LOCAL SERVICE AREA (LOCAL CALLING AREA)**

The area within which telephone service is furnished Customers under a specific schedule of exchange rates (flat or measured) and without toll charges. A local service area may include one or more exchange areas under an extended area service arrangement.

### **LOCAL SERVICE CHARGE**

The charge for furnishing facilities to enable a Customer to send or receive telecommunications within the local service area. This local service calling area may include one or more exchange areas.

### **LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE**

Facilities furnished by means of wire, radio or a combination thereof for telecommunications between service points in different local service areas in accordance with the regulations and system of charges specified by the Company.

### **MAINTENANCE SERVICE CHARGE**

A nonrecurring Maintenance Charge applied when service difficulty or trouble results from the use of Customer-provided equipment or inside wiring.

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## DEFINITIONS OF TERMS

### MESSAGE

A communication between two (2) or more exchange access lines. Messages may be classified as local or toll.

### MILEAGE

The measurement (airline, route, etc.) upon which a charge for the use of part or all of a circuit furnished by the Company is based.

### MINIMUM CONTRACT PERIOD

The minimum length of time for which a Customer is obligated to pay for service, facilities and equipment, whether or not retained by the Customer for such minimum length of time.

### NETWORK CONTROL SIGNALING

The transmission of signals used in the telecommunications system which perform functions such as supervision (control, status, and charging signals), address signaling (e.g., dialing), calling and called number identification and audible tone signals (call progress signals indicating reorder or busy conditions, alerting coin denominations, coin collect and coin return tones) to control the operation of switching machines in the telecommunications system.

### NONPUBLISHED TELEPHONE NUMBER

A telephone number associated with an exchange access line which, at the request of the Customer, is not listed in the telephone directory and is not made available to the general public by the Company.

### NONRECURRING CHARGE

A one (1) time charge associated with certain installations, changes or transfers of services, either in lieu of or in addition to recurring monthly charges.

### OFF PREMISE EXTENSION (OPX)

A telephone located in a different office or building from the main phone system.

### ONE PARTY SERVICE

Any exchange access line designed for the provision of exchange service to one (1) premise.

### PERMANENT DISCONNECT

A discontinuance of service in which the facilities used in the service are immediately made available for use for another service.

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## **DEFINITIONS OF TERMS**

### **PERSON**

Includes individuals, partnerships, corporations, governmental bodies, associations and any other such entity.

### **PREMISE**

The same premise consists of:

- (a) the building or buildings, together with the surrounding land occupied as, or used in the conduct of one establishment, business, residence, or a combination thereof, and not intersected by a public road or by property occupied by others.
- (b) the portion of the building occupied by the customer, either in the conduct of his business or residence, or a combination thereof, and not intersected by a public thoroughfare or by space occupied by others.
- (c) the continuous property operated as a single farm whether or not intersected by a public road.

### **PREMISE WIRING**

All wire within a Customer's premise, including connectors, jacks and miscellaneous materials associated with the wire's installation. Premise inside wire is located on the Customer's side of the Company's premise protector. By definition, Customer premise inside wire excludes riser, buried and aerial cable.

### **PREASSIGNED NUMBER**

A telephone number preassigned before service is actually established.

### **PREWIRING**

Any inside wiring done at the location of a residence or business prior to the initial installation of telephone service.

### **PRIMARY SERVICE**

The initial provision of voice grade access between the Customer's premise and the switched telecommunications network. This includes the initial connection to a new Customer, the move of an existing Customer to a new premise, or the change of a telephone number.

## **DEFINITIONS OF TERMS**

### **PRIMARY TERMINATION**

Applies to channels which extend beyond the continuous property of a Customer or the confines of a single building housing the first premise of more than one Customer. "Primary Termination" also denotes the first termination of such a channel at a station or private branch exchange on the continuous property of a Customer. When more than one (1) Customer's premise is located within the same building, the first termination of such a channel at that building constitutes a "primary termination." For purpose of this definition, the location of a "primary termination" for channel services associated with "switching system services" is considered to be at the "switching system services" serving central office. When the "switching system services" serving central office is not in the same exchange as the main location, the "mileage service area" center for the main location will be used in lieu of the "switching system services" serving central office.

### **PRIVATE BRANCH EXCHANGE**

An arrangement of equipment situated on a Customer's premise consisting of a switching apparatus with an attendant's telephone, telephones connected with the switchboard, and trunks connecting it with a central office. The Private Branch Exchange provides for intercommunications between these telephones, for communication with the general exchange network, and for long distance message telecommunications service.

### **PRIVATE BRANCH EXCHANGE TRUNKS**

Trunks connecting a private branch exchange system with a central office for communication with the general exchange network and for long distance message telecommunications service.

### **PRIVATE LINE**

A circuit provided to furnish dedicated communication between two (2) or more directly connected locations and not having connection with central office switching equipment.

### **PRIVATE LINE SERVICE**

The channels furnished to a Customer for communication between specified locations.

### **PROTECTIVE CONNECTING ARRANGEMENT**

Equipment provided by the Company for electrical protection when facilities provided by other than the Company are connected with facilities provided by the Company.

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## **DEFINITIONS OF TERMS**

### **PUBLIC THOROUGHFARE**

A road, street, highway, lane or alley under the control of and kept by the public.

### **PUBLISHED TELEPHONE NUMBER**

A number which appears in the current telephone directory, or is scheduled to appear in a forthcoming telephone directory, and which also appears in the information records for general public information.

### **RATE CENTER**

A specified geographical location within an exchange area from which mileage measurements are determined for the application of rates between exchange areas.

### **REFERENCE LISTING**

The listing of a generally accepted name of a firm or corporation followed by a reference to another listing.

### **REGISTERED PROTECTIVE CIRCUITRY**

Separate, identifiable and discrete electrical circuitry designed to protect the telephone network from harm, which is registered in accordance with part 68 of the Federal Communications Commission's Rules and Regulations.

### **REGISTERED TERMINAL EQUIPMENT**

Terminal equipment which is registered in accordance with Part 68 of the Federal Communications Commission's Rules and Regulations.

### **RESIDENTIAL SERVICE**

Telecommunications Service furnished to Customers when the actual or obvious use is for domestic purposes.

### **ROTARY HUNTING SERVICE**

A central office service arrangement whereby a called busy line in a specified line group will automatically advance until an idle line or trunk is found.

### **SERVICE CHARGE**

A nonrecurring nonrefundable charge for work required to establish initial service or to make subsequent additions to, moves, or changes in that service.

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## **DEFINITIONS OF TERMS**

### **SERVICE DROP**

Facilities used to connect buried, aerial or underground distribution facilities to the point of entrance to the building where connection is made with the inside wires of a Customer's telephone.

### **SERVING CENTRAL OFFICE**

The central office from which a Customer's telephone service is normally provided.

### **SIGNAL CONDITIONING EQUIPMENT**

That equipment connected to a channel to condition signals generated by data terminal equipment.

### **SINGLE CHANNEL (Half Duplex)**

A channel with the capability of transmission alternately in either direction, or for transmission in one (1) direction only.

### **SPECIALIZED CUSTOMER PREMISE EQUIPMENT**

Terminal equipment required by persons with impaired hearing, speech, vision or mobility. When this equipment is provided by a telephone cooperative, it is provided under Tariff in accordance with Part 64, Subpart F, of the Federal Communications Commission's Rules and Regulations.

### **STATION EQUIPMENT**

Customer-owned or leased equipment connected to a channel to transmit and/or receive voice communications and/or data signals.

### **SUPERSEDURE OF SERVICE**

An Applicant who otherwise qualifies for the immediate establishment of service may supersede the service of a Customer discontinuing that service when the Applicant is to take service on the premise where service is being rendered, and if a notice to that effect from both the Customer and the Applicant is presented to the Company, and if an arrangement, acceptable to the Company, is made to pay outstanding charges against the service. The Company may require such notice to be in writing.

### **SUPPLEMENTAL CONTRACT**

A contract for service, equipment or facilities in addition to that provided for under the original contract.

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### SUSPENSION OF SERVICE

An arrangement made at the request of the Customer, or initiated by the Company, for temporarily interrupting service.

### TARIFF

The schedule of the Company containing all rules and regulations, rates, and charges, stated separately by type or kind of service and the Customer class filed with and approved by the Commission.

### TELECOMMUNICATIONS SERVICES

The various services offered by the Company as specified in this Tariff.

### TELEPHONE COMPANY

See "Company."

### TELEPHONE NUMBER

A numerical designation assigned to a Customer for convenience in operation and identification. The telephone numbers include the number prefix of a central office, which is termed "central office designation."

### TELEPHONE SOLICITATION

An unsolicited telephone call.

### TEMPORARY DISCONNECTION

See "Suspension of Service."

### TEMPORARY SERVICE

The provision of service definitely known to be required for a short period of time (generally less than twelve (12) consecutive months) such as, but not limited to, service furnished to building contractors, service to a convention, and service for seasonal business including resorts.

### TERMINATION AGREEMENT

An agreement between the Company and the Customer to provide or furnish certain lines or equipment representing a comparatively high investment or in lieu of a contribution to construction for temporary service whereby the Customer agrees to compensate the Company in case the service is discontinued prior to the date specified in the agreement.

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## **DEFINITIONS OF TERMS**

### **TERMINATION CHARGE**

A charge made to liquidate a Customer's obligations for termination of service prior to the expiration of the initial contract period.

### **TERMINATION OF SERVICE**

The discontinuance of service or facilities provided by the Company, either at the request of the Customer or by the Company under its regulations concerning cancellation for cause.

### **TIE LINE**

A circuit connecting two (2) switching systems (e.g., Private Branch Exchange and/or Automatic Call Distribution Systems) for the purpose of intercommunicating between the stations connected.

### **TOLL MESSAGE**

A communication between two (2) exchange access lines, the called access line being outside of the local or service area of the access line from which the message originates.

### **TOLL RATE**

The initial period charge prescribed for a toll message usually based upon a minimum initial period and distance between serving area.

### **TOLL SERVICE**

That part of the total telephone service rendered by the Company which is furnished between different local service areas in accordance with the rates and regulations specified in the Long Distance Message Telecommunications Tariff as may be issued or concurred in by the Company.

### **TRUNK LINE**

A telephone communication channel between a central office and a Private Branch Exchange, or a Key System for the common use of all calls or one (1) class between its two (2) terminals.

### **UNDERGROUND SERVICE CONNECTION**

A drop wire or cable which is run underground from a pole line or an underground distributing cable.

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## **DEFINITIONS OF TERMS**

### **VOICE GRADE FACILITY**

A communications path typically used in the telecommunications industry for the transmission of voice and associated telephone signals within the frequency bandwidth of approximately 300 to 3000 Hertz between two (2) points comprised of any form or configuration of physical plant capable of transmitting and receiving these frequencies.

### **WIDE AREA TELECOMMUNICATIONS SERVICE (WATS)**

A service designed to meet the needs of Customers who make or receive substantial volumes of long distance telephone calls. This service is only provided on an inward or outward basis.

### **WIRE CENTER**

A central office location where telephone feeder and distribution cables are terminated.

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## **DEFINITIONS OF TERMS**

### **Symbols For Tariff Changes**

#### **General**

The following symbols will be utilized for all changes of material within the Local Telecommunications Services Tariff:

- C** - Change in Regulation
- D** - Discontinued Rate, Regulation or Text
- E** - Correction of an error made prior to current revision of Tariff
- I** - Increase in Rate
- M** - Moved Rate, Regulation or Text from one page to another with no change in Rate, Regulation or Text.
- N** - New Rate, Regulation or Text
- R** - Reduction in Rate
- T** - Text Change, but no change in Rate or Regulation

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**GENERAL RULES AND REGULATIONS**

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## **GENERAL RULES AND REGULATIONS**

### **4.1 GENERAL APPLICATION**

- 4.1.1** The rules and regulations set out in this Tariff apply to the services and associated facilities furnished by the Company within its operating territory in the serving area listed in Section 2 of this Tariff.
- 4.1.2** Complete Tariffs containing all rates for Local Exchange Service will be kept at all times in the Company's local business office where they will be available for public inspection during regular business hours. Copies may be obtained at reproduction cost.
- 4.1.3** Failure on the part of any Customer to observe these rules and regulations of this Tariff gives the Company the right to cancel all contracts and discontinue the furnishing of service.

### **4.2 ESTABLISHING SERVICE**

#### **4.2.1 Availability of Facilities**

- A. The rates and charges quoted in this Tariff provide for the furnishing of service and facilities where suitable facilities are available.
- B. The Company shall not be liable for failure to furnish service.
- C. When service and facilities are provided in part by the Company and in part by other connecting companies the regulations of the Company apply to that portion of the service and facilities furnished by the Company.

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## GENERAL RULES AND REGULATIONS

### 4.2 ESTABLISHING SERVICE (Cont'd)

#### 4.2.2 Application for Service

- A. Applications for service or requests or orders by the Customer for additional services or facilities will be made in writing and shall constitute a contract when accepted by authorized employees or agents of the Company, or upon establishment of service.
- B. An Applicant may be required to make an advance payment at the time the application is accepted, in cases where a deposit is not collected. The amount of the payment will be based on applicable Service Connection Charges and the first month's charges for Exchange Service. The provisions of this paragraph affect the initial payment only and regular monthly charges for service as well as billing and collection practices discussed within this Tariff are otherwise applicable.

#### 4.2.3 Cancellation or Change in Application for Service

- A. Where the Customer cancels an application for service prior to the start of installation of service or of special construction no charge applies.
- B. Where installation of service has been started prior to the cancellation, a Cancellation Charge equal to the Minimum Service Charge may apply.
- C. When a Customer requests a change in location of all or a part of the facilities covered by the application for service, or additions, rearrangements, or modifications of existing service prior to completion of the work involved, the Customer is also required to pay the amount of additional costs and expenses incurred by the Company in completing the work as changed.

## GENERAL RULES AND REGULATIONS

### 4.2 ESTABLISHING SERVICE (Cont'd)

#### 4.2.4 Refusal of Service

##### A. Grounds for Refusal of Service:

1. The Company may refuse to serve an Applicant for any one (1) of the following reasons:
  - a. In the event of Customer use of equipment in such a manner as to adversely affect the Company's equipment or the Company's service to others;
  - b. in the event of tampering with the equipment furnished and owned by the Company;
  - c. for violation of or non-compliance with the TRA's Regulations Governing Service Supplied by Telephone Utilities, or for violation of or non-compliance with the Company's rules on file with the TRA;
  - d. for failure to comply with municipal ordinance or other laws;
  - e. for failure to permit the utility reasonable access to its equipment;
  - f. for nonpayment of bill, or
  - g. for unavailability of Company facilities.

##### B. Applicant's Recourse

In the event the Company refuses to serve an Applicant, the Company will inform the Applicant of the reasons for its refusal.

#### 4.2.5 Transfer, Assignment, or Supersedure of Service

- A. Service previously furnished to one (1) Customer may not be assumed by a new Customer without lapse in the rendition of service. The new Customer must execute a new service agreement which is subject to the provisions of this Tariff.

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T.R.A. No. 1

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## GENERAL RULES AND REGULATIONS

### 4.2 ESTABLISHING SERVICE (Cont'd)

#### 4.2.6 Minimum Service Periods

Unless otherwise specified elsewhere in this Tariff, the minimum service period for all services offered in this Tariff is one (1) month beginning on and including the day following the establishment of service. The minimum service period relates to each applicable unit of service, either on the initial or subsequent installations. For purposes of administration, each month is considered to have thirty (30) days.

#### 4.2.7 Priority of Establishment of Service

Applications for service in a particular exchange will be completed in the chronological order of their receipt to the extent practical and economical, and depending on the availability of facilities.

### 4.3 FURNISHING OF SERVICE

#### 4.3.1 Provision and Ownership of Service and Facilities

Service and facilities furnished by the Company on the premises of a Customer or authorized user are the property of the Company and are provided upon the condition that such service and facilities, except as expressly provided in this Tariff, must be installed, relocated, and maintained by the Company. Company employees and agents may enter said premises at any reasonable hour to install, to inspect, or to repair any part of the Company's facilities on the Customer's premise, or to remove such facilities which are no longer necessary for the provision of service.

#### 4.3.2 Company Facilities at Hazardous or Inaccessible Locations

- A. Where service is to be established or maintained at a location that would involve undue hazards or where accessibility is impracticable to employees of the Company, the Company may refuse to furnish such service and/or the Customer may be required to install and maintain the Company's facilities in a manner satisfactory to the Company. The Customer will reimburse the Company for any unusual costs involved.
- B. The Customer shall indemnify and hold the Company harmless from any and all loss, claims, or damage by reason of the installation and maintenance of such service and/or facilities.

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**GENERAL RULES AND REGULATIONS**

**4.3 FURNISHING OF SERVICE (Con't)**

**4.3.3 Protective Equipment**

- A. Protective equipment is required when a hazardous electrical environment is present at a Customer's premise and when the estimated rise in ground potential is sufficient to cause damage to Company facilities or to endanger the safety of the Company's employees or Customers. The Customer must provide the protective equipment subject to Company specifications.
- B. Other special protective equipment and/or neutralizing transformers, isolating transformers, drain coils for use in providing service to Customer's premise where there are high ground potentials, even though not required, may be provided by the customer, subject to specifications, or in accordance with the rates, terms and conditions of Section 10 of this Tariff.
- C. All equipment connected to the Company's facilities and the telecommunications network shall meet the provisions of Part 68 of the Federal Communications Commission's Rules and Regulations and Section 11 of this Tariff.

**4.3.4 Telephone Numbers**

- A. Telephone numbers are the property of the Company and are assigned to the service furnished the Customer. The Company reserves the right to change such numbers and/or the central office name associated with such numbers assigned to the Customer, whenever the Company deems it necessary to do so in the conduct of its business.
- B. The Company shall list each Customer with directory assistance except those numbers not listed at the Customer's request.
- C. Disconnected residence telephone numbers shall not be reassigned for one hundred and twenty (120) days. Disconnected business numbers shall not be reassigned, unless requested by the customer, for one hundred and eighty (180) days or the life of the directory, whichever is longer, unless no other numbers are available for providing service to new Customers.

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**4.3 FURNISHING OF SERVICE (Cont'd)**

**4.3.5 Classifications of Service**

**A. Basis for Classification**

1. The determination as to whether Customer service should be classified as business or residence service is based on the character of the use to be made of the service and facilities. This consideration is, in all cases, the basis upon which the rates for any particular service are classified, and any indices of such character of use should be applied with this primary definition in mind.
2. The Company reserves the right to classify any local service furnished a Customer as business or residence service, in compliance with this Tariff.

**B. Application of Business Rates**

Business rates apply whenever the use of the service is primarily or substantially of a commercial, professional, institutional, or otherwise occupational nature, or where the listing required is such as to indicate business use.

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**4.3 FURNISHING OF SERVICE (Cont'd)**

**4.3.5 Classifications of Service (Con't)**

**C. Application of Residence Rates**

Residence rates apply when the use of the service is of a domestic nature, provided that service is not used substantially for occupational purposes.

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**4.3 FURNISHING OF SERVICE (Cont'd)**

**4.3.5 Classifications of Service (Cont'd)**

- D. Changes in classification between residence to business service may be made without change in telephone number subject to the abilities of the Company.

**4.3.6 Installation, Maintenance, and Repair of Facilities**

- A. All ordinary expense of installation, maintenance, and repairs of Company equipment and facilities, unless otherwise specified in this Tariff, is borne by the Company. Where special conditions or requirements of the Customer involve unusual construction or installation costs, the Customer may be required to pay a reasonable proportion of such costs. In case of damage, loss, theft, or destruction of any of the Company's property due to the negligence or willful act of the Customer or other persons authorized to use the service and not due to ordinary wear and tear, the Customer shall be required to pay the actual expense incurred by the Company in connection with replacement of the property or the expense incurred in restoring it to its original condition.
- B. The Customer shall not install, disconnect, rearrange, remove, or attempt to repair any facilities owned and furnished by the Company or permit others to do so, except upon the written consent of the Company or as otherwise specified in the Company's applicable Tariffs. The Company shall have the right to charge the Customer for losses experienced as a result of unauthorized tampering.

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**4.3 FURNISHING OF SERVICE (Cont'd)**

**4.3.6 Installation, Maintenance, and Repair of Facilities (Cont'd)**

- C. The Customer may be billed the applicable Minimum Service Charge for each service call to the Customer's premise where off-hook condition is found.

**4.3.7 Work Performed Outside Regular Working Hours**

The rates and charges specified in this Tariff contemplate that all work in connection with furnishing or rearranging service will be performed during regular working hours. Whenever a Customer requests that work necessarily required in the furnishing or arranging of his service be performed outside the Company's regular working hours, or that work already started should be interrupted, the Customer may be required to pay the amount of additional costs the Company incurs as a result of the Customer's special requirements, in addition to the other rates and charges specified in this Tariff.

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## GENERAL RULES AND REGULATIONS

### 4.4 USE OF SERVICE AND FACILITIES

#### 4.4.1 Use of Service

- A. The Company may refuse to install or may terminate a Customer's service if it is located on premise of a public or semi-public nature or in a business establishment, where the public in general or patrons of the Customer may make use of the service.
- B. Services provided by the Company may not be resold by the Customer or used in any manner for which the Customer receives compensation from the user except as provided herein:
  - 1. Access services provided pursuant to Interstate or Intrastate Access Services Tariffs the Company issues or concurs in.
  - 2. Services provided to hotels, motels, hospitals, and cellular and paging Customers when such services are resold to guests, patients, or Customers.
- C. The Customer is responsible for payment of all charges for services ordered by the Customer. This includes those services that are shared or resold as provided herein, regardless of whether such charges are associated with the Customer's usage or that of any authorized users and regardless of whether such authorized users have paid the Customer for their share of the Company's charges.

#### 4.4.2 Accessories Provided by the Customer

No equipment, accessory, apparatus, circuit or device shall be attached to or connected with the Company facilities except as provided in this Tariff. In case any such unauthorized attachment or connection is made, the Company shall have the right to remove or disconnect the same, to suspend service during the continuance of said attachment or connection, or to disconnect service. The customer shall be held responsible for the cost of correcting any impairment of service caused by the use of such attachments or connections and shall be billed for each service call made to his/her premise because of the use of such attachments or connections.

#### 4.4.3 Limit On Communication

The Company reserves the right to limit the length of communications when necessary due to a shortage of facilities caused by emergency conditions.

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**GENERAL RULES AND REGULATIONS**

**4.4 USE OF SERVICE AND FACILITIES (Cont'd)**

**4.4.4 Unlawful, Abusive, or Fraudulent Use of Service**

- A. The service is furnished subject to the condition that it will not be used for any unlawful purpose. Service will be discontinued, after proper written notice, if any law enforcement agency, acting within its apparent jurisdiction, advises in writing that such service is being used in violation of law. The Company will refuse to furnish service when it has reasonable grounds to believe that such service will be used in violation of law. The Company shall in no event be liable for any damage resulting from any action taken or threatened pursuant to this Section.
- B. The Company may suspend or terminate telephone service to any person(s), firm or corporation who: uses or permits the use of foul, abusive, obscene or profane language over the facilities furnished by the Company; or impersonates or permits impersonation of any other individual with fraudulent or malicious intent; or uses or permits their telephone to be used to make calls whether anonymous or otherwise in any manner which could reasonably be expected to frighten, abuse, torment, or harass another; or uses the service in such a manner as to interfere in any way with the service of others.

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**4.5 DISCONNECTION, TERMINATION OR RESTORATION OF SERVICE**

**4.5.1 Disconnection of Service**

- A. Telephone service may be disconnected with or without notice for any one (1) of the reasons listed in Section 4.2.4 of this Tariff.
- B. Unless a dangerous condition exists or unless the Customer requests disconnection, service shall not be disconnected on a day, or on a day immediately preceding a day, when personnel of the Company are not available to the public for the purpose of making collections and reconnecting services.

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**4.5 DISCONNECTION, TERMINATION OR RESTORATION OF SERVICE**  
(Cont'd)

**4.5.2 Termination of Service**

**A. Termination of Service by the Company**

1. When the service is terminated on the initiative of the Company because of violation of its regulations by the Customer, the regulations stipulated in the paragraph below for termination of service by the Customer apply.
2. Should service be terminated for nonpayment of charges, restoration of service will be made only as prescribed in Section 4.5.3 of this Tariff.

**B. Termination of Service by the Customer**

Service may be terminated at any time upon reasonable notice from the Customer to the Company. Upon such termination, the Customer shall be responsible for the payment of all charges due. This includes all charges due for the period of service that has been rendered plus any unexpired portion of a minimum service period and applicable Termination Charges.

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**4.5 DISCONNECTION, TERMINATION OR RESTORATION OF SERVICE (Cont'd)**

**4.5.3 Restoration of Service**

- A. For restoration of a Customer's telecommunications service when service has been disconnected the following conditions are applicable. Service Charges are discussed in Section 5 of this Tariff.
- B. If the Customer's service has been terminated the Customer must reapply for telephone service as a new Applicant before having service restored. Such application will be subject to applicable Service Charges.
- C. At its discretion, the Company may restore or re-establish service which has been suspended or disconnected for nonpayment of charges prior to payment of all charges due. Such restoration or re-establishment shall not be construed as a waiver by the Company of any rights to suspend or disconnect service for nonpayment of charges due and unpaid, or for the violation of the provisions of this Tariff. Moreover, the Company's failure to suspend or disconnect service for nonpayment of any past due account or accounts shall not operate as a waiver or estoppel to suspend or disconnect service for nonpayment of such account or of any other past due account.

**4.6 CUSTOMER RELATIONS**

**4.6.1 General**

- A. The Company will maintain a current set of maps showing the physical locations of its facilities and telephone exchange locations. Each central location will have available up-to-date maps or records of its immediate area, with such other information as may be necessary to enable the Company to advise Applicants and others entitled to the information, as to the facilities available for serving that locality.
- B. Upon request for service by a residential Applicant or upon request for transfer of service by a residential Customer, the Company shall inform the Applicant or Customer of the Company's lowest priced alternatives available at the Customer's location. The Company shall provide this information beginning with the lowest priced alternative and giving full consideration to applicable service or equipment options and Installation Charges.

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**GENERAL RULES AND REGULATIONS**

**4.6 CUSTOMER RELATIONS (Cont'd)**

**4.6.1 General (Cont'd)**

- C. The Company will post a notice in a conspicuous place in each business office of the Company where applications for service are received informing the public that copies of the rate schedules and rules relating to the services of the Company, as filed with the TRA, are available for inspection.
- D. The Company will provide to all new telephone utility Customers, at the time service is initiated, a pamphlet or information packet advising the Applicant of his or her rights as a Customer. The Customer shall be informed of their right to request information relating to rates and services, bill payment policies etc. Additionally, Company business office hours, addresses and telephone numbers, deposit information, statement of nondiscrimination, and availability of any special services such as readers or notices in Braille, as well as the telephone number of the teletypewriter for the deaf at the TRA will be provided.

**4.6.2 Customer Complaints**

- A. Upon complaint to the Company by a Customer either at the Company's office by letter or by telephone, the Company shall promptly make a suitable investigation and advise the complainant of the results thereof.
- B. In the event the complainant is dissatisfied with the Company's report, the Company will advise the complainant of the TRA complaint process, and inform the complainant that they may contact the Division at the TRA which is responsible for handling complaints.
- C. Upon receipt of a complaint, either by letter or by telephone, from the TRA on behalf of a Customer, the Company shall make a suitable investigation and in writing advise the TRA within ten (10) days of the results thereof.

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**GENERAL RULES AND REGULATIONS**

**4.6 CUSTOMER RELATIONS (Cont'd)**

**4.6.3 Applicant or Customer Deposit**

**A. Definition of Applicant and Customer**

For purposes of this subsection, an Applicant is defined as a person who applies for service for the first time or reapplies at a new or existing location after discontinuance of service. Customer is defined as someone who is currently receiving service.

**B. Establishment of Credit**

1. The Company may require a permanent residential or business Applicant for service to satisfactorily establish credit, but such establishment of credit will not relieve the Customer from prompt payment of bills. Credit history shall be applied equally for a reasonable period of time to a spouse or former spouse who shared telephone service. Credit history applies equally to both, without modification.
2. A residential Applicant will not be required to pay a deposit subject to the following rules:
  - a. If the residential Applicant furnishes in writing a satisfactory guarantee to secure payment of bills for the service required;
  - b. the third party guarantor must be a customer of the Company and must have been a customer of the Company for at least one (1) year, and have established satisfactory credit in which no balance has been carried forward;
  - c. the guaranty contract shall be on a form provided by the Company which shall include the Company's right to transfer charges from a defaulted bill of the Customer from whom a deposit or Contract of Guaranty was required, to the guarantor's account or accounts and the further right to suspend the guarantor's service as provided in this Tariff;
  - d. unless otherwise agreed to by the guarantor, the guarantee shall be for the amount of the deposit the Company would normally seek on the Applicant's account. The amount of the guarantee shall be clearly indicated on any documents or contracts of guaranty signed by the guarantor.

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**GENERAL RULES AND REGULATIONS**

**4.6 CUSTOMER RELATIONS (Cont'd)**

**4.6.3 Applicant or Customer Deposit (Cont'd)**

**B. Establishment of Credit (Cont'd)**

3. An Applicant for residential or business service may be required to make a deposit if the credit of the Applicant for service has not been established satisfactorily to the Company.
4. Every Applicant who has previously been a Customer of the Company and whose service has been discontinued for nonpayment of bills shall be required to pay all amounts due the Company and re-establish credit before service is rendered by the Company.

**C. Interests on Deposits**

1. The Company shall pay interest on deposits at a rate no higher than that established by the TRA. Interest on deposits shall accrue annually and, if requested, shall be annually credited to the Customer by deducting such interest from the amount of the next bill for service following the accrual date.

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**4.6 CUSTOMER RELATIONS (Cont'd)**

**4.6.3 Applicant or Customer Deposit (Cont'd)**

**D. Deposit Required**

1. When a permanent residential or business Applicant does not meet the conditions listed in Section 4.6.3.B, a deposit will be required by the Company subject to the rules that follow.
2. The required initial deposit shall not exceed an amount equivalent to two (2) months local service and the estimated call messages during a like period.

**E. Information Provided With Deposits**

At the time a deposit is required, the Company shall provide written information about deposits to Applicants for, or Customers of, business or residential service. This information will include:

1. the circumstances under which the Company may require a deposit, or request an additional deposit;
2. how a deposit is calculated;
3. the amount of interest paid on a deposit and how this interest is calculated; and
4. the time frame and requirement for return of the deposit to the Customer.

**GENERAL RULES AND REGULATIONS**

**4.6 CUSTOMER RELATIONS (Cont'd)**

**4.6.3 Applicant or Customer Deposit (Cont'd)**

**F. Records of Deposits**

1. The Company will keep records to show:
  - a. the name and address of each depositor;
  - b. the amount and date of the deposit; and
  - c. each transaction concerning the deposit.
2. The Company will issue a receipt of deposit to each Applicant from whom a deposit is received and will provide means whereby a depositor may establish his claim if the receipt is lost.
3. A record of each unclaimed deposit will be maintained for four (4) years, during which time the Company will make a reasonable effort to return the deposit.

**G. Refund of Deposit:**

1. If service is not connected or after disconnection of service, the Company will promptly and automatically refund the Customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. A transfer of service from one (1) premise to another within the service area of the Company shall not be deemed a disconnection where refund of the deposit is concerned.
2. When the Customer has paid bills for service for twelve(12) consecutive residential billings or for twelve (12) consecutive business billings without having service disconnected for non-payment of bill and without having more than two (2) occasions in which a bill was delinquent, and when the Customer is not delinquent in the payment of the current bills, the Company will promptly and automatically refund the deposit plus accrued pro rated interest for the year. Refund of the deposit will be in the form of credit to a Customer's bill, or void any guarantee of payment and return any documents or contracts of guarantee to the guarantor.

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## GENERAL RULES AND REGULATIONS

### 4.6 CUSTOMER RELATIONS (Cont'd)

#### 4.6.4 Payment for Service

A Customer shall be responsible for the payment of all charges for services and equipment furnished the Customer, including charges for services originated and/or charges accepted at the Customer telephone. Failure to receive a bill or disconnect notice does not relieve the Customer of the responsibility for payment provided the Company has followed procedures for proper Customer notification. The services or facilities furnished by the Company may be suspended for failure of the Customer to pay any regulated sum due as set forth under Sections concerning discontinuance of service.

##### A. Billing Period and Charges

1. Bills for telephone service will normally be rendered monthly. Bills may be rendered more frequently, however, when it is considered necessary or advisable by the Company. Bills shall show the Company name, toll free telephone number, period of time covered by the billings, and shall show a clear listing of all charges due and payable, including outstanding amounts in the same Customer class that the Company may have chosen to transfer from a Customer's prior delinquent account(s). Payment of charges for moves and changes and other nonrecurring charges may be required prior to completion.
2. Charges for local services and facilities are payable monthly in advance.
3. Special charges, fees, and taxes: An additional charge shall be added to the Customer's bill for service, which is equal to the pro rata share of any occupation, franchise, business, license, excise, privilege, or other similar charge or tax, now or hereafter imposed by any municipal taxing body or municipal authority whether by statute, ordinance, law, or otherwise, and whether presently due or to hereafter become due, upon approval of the charge by the TRA.
4. The Company will provide the Customer with a breakdown of Local Service Charges at the time service is initially installed or modified, or at the reasonable request of the Customer.

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**GENERAL RULES AND REGULATIONS**

**4.6 CUSTOMER RELATIONS (Cont'd)**

**4.6.4 Payment for Service (Cont'd)**

**B. Pro Rating of Charges**

Charges for service normally furnished on a monthly basis (except those involving a minimum billing period) billed for periods in excess of, or less than, a billing month will be pro rated.

**C. Suspended or Disconnected Service**

1. Should service be suspended for nonpayment of charges, it will be restored only as provided in Section 4.5.3 of this Tariff.
2. When service has been disconnected for nonpayment, the service agreement is considered terminated. Re-establishment of service may be made only upon the execution of a new service agreement subject to the provisions of this Tariff.

**D. Payment Arrangements**

The Company may agree to a payment arrangement, whereby an outstanding bill will be paid after the due date of the bill but before the due date of the next bill if a Customer so requests. If the Customer does not fulfill the terms of such payment arrangements the Company shall have the right to disconnect service. A disconnect notice must be issued prior to termination of service, if one had not been issued before the payment arrangement was executed.



## GENERAL RULES AND REGULATIONS

### 4.6 CUSTOMER RELATIONS (Cont'd)

#### 4.6.5 Allowance for Interruptions

In the event Customer service is interrupted other than by the negligence or willful act of the Customer, or for mechanical problems past the Company's facility connection point with the Customer, and it remains out of order for twenty-four (24) hours or longer, after being reported to be out of order, and after access to the premise is made available, appropriate adjustments or refunds shall be made to the Customer. The amount of adjustment or refund shall be determined on the basis of the known period of interruption, generally beginning from the time the service interruption is first reported. The refund to the Customer shall be the pro-rata part of the month's flat rate charges for the period of days for the portion of the service facilities rendered useless or inoperative. Calculated as follows:

Amount of refund =  $\frac{\text{number of days of interruption}}{\text{total days in billing period}} \times \text{monthly local service rate}$

The refund may be accomplished by a credit on a subsequent bill for telephone service.

#### 4.6.6 Adjustment of Charges for Overbilling and Underbilling

If billings for telecommunications service are found to differ from the Company's lawful rates for the services purchased by the Customer, or if the Company fails to bill the Customer for such services, a billing adjustment shall be calculated by the Company.

The backbilling for both overcharges and undercharges to the Customer shall not exceed six (6) months.

If such undercharges are one hundred dollars (\$100.00) or more, the Company shall offer the Customer a deferred payment plan option for the same length of time as that of the underbilling.

#### 4.6.7 Disputed Bills

- A. In the event of a dispute regarding the Customer's bill, the Company shall investigate and report the results to the Customer and, in the event the dispute is not resolved, shall inform the Customer of the complaint procedures of the TRA.
- B. A Customer's service shall not be subject to discontinuance for nonpayment of that portion of a bill under dispute pending the completion of the determination of the dispute. The Customer is obligated to pay any billings not disputed. Undisputed amounts are subject to discontinuance of service.

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**GENERAL RULES AND REGULATIONS**

**4.7 LIABILITY OF THE COMPANY**

**4.7.1 Service Irregularities**

- A. The liability of the Company for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in transmission, or failure or defects in facilities furnished by the Company, occurring in the course of furnishing service or other facilities and not caused by the negligence of the Company in failing to exercise reasonable supervision or to maintain proper standards of maintenance and operation, shall in no event exceed an amount equivalent to the proportionate Local Service Charge to the Customer for the period of service during which such service irregularities occur and continue.

However any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or failure or defects in facilities furnished by the Company which are caused or contributed to by the negligence or willful act of the Customer, authorized user, or joint user or which arise from the use of Customer provided premise equipment shall not result in the imposition of any liability whatsoever upon the Company.

**GENERAL RULES AND REGULATIONS**

**4.7 LIABILITY OF THE COMPANY (Cont'd)**

**4.7.2 Use of Facilities of Other Connecting Carriers**

When suitable arrangements can be made, facilities of other connecting carriers may be used in conjunction with the Company's facilities in establishing connections to points not reached by those facilities. Neither this Company nor any connecting carrier participating in a service shall be liable for any act or omission of any other Company or companies furnishing a portion of such service.

**4.7.3 Indemnifying Agreement**

The Company shall be indemnified and saved harmless by the Customer against: claims for libel, slander, or the infringement of copyright arising directly or indirectly from the material transmitted over Company facilities or the use thereof; claims for infringement of patents arising from combining with, or using in connection with, facilities furnished by the Company, and apparatus and systems of the Customer; and all other claims arising out of any act or omission of the Customer in connection with the facilities provided by the Company.

**4.7.4 Defacement of Premise**

The Company is not liable for any defacement or damage to the premise of a Customer resulting from the furnishing of service or the installation, attachment, or removal of the facilities furnished by the Company on such premise, when such defacement or damage is not the result of the sole negligence of the Company or its employees.

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## GENERAL RULES AND REGULATIONS

### 4.8 TEMPORARY NUMBER PORTABILITY

#### 4.8.1 Terms of Service

The Company shall provide two (2) way temporary number portability for Customers pursuant to any regulations issued by the FCC or the TRA. The Company will allow, as long as it is technically feasible, for Customers with BellSouth or other LEC telephone numbers which were assigned within the Company's local calling scope to be retained by the Customer when they receive Company service. Such temporary number portability will be accomplished via call forwarding performed at the switch. Customers should note that certain features such as Voice Mail, Caller ID and Calling Name and Number ID may not function properly with temporary Number Portability.

### 4.9 TELECOMMUNICATIONS RELAY SERVICE

#### 4.9.1 General

Telecommunications Relay Service (TRS) permits hearing and speech impaired users of Telecommunications Devices for the Deaf (TDD) to communicate with users of ordinary telephones. The Company concurs with the TRS rates, rules and regulations filed with the TRA.

#### 4.9.2 Restrictions

The following calls may not be placed through the Tennessee Relay Center:

- Calls to 976, 900 or 700 numbers
- Calls to time or weather recorded numbers
- Calls to other informational recordings
- Station sent paid calls from coin telephones
- Operator handled conference service and other teleconference calls

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**GENERAL RULES AND REGULATIONS**

**4.10 INDIVIDUAL CASE BASIS (ICB) ARRANGEMENTS**

Arrangements will be developed on a case-by-case basis in response to a bona-fide request from a Customer or prospective Customer to develop a competitive bid for a service offered under this Tariff. Rates quoted in response to such competitive request may be different than those specified for the services in this Tariff. ICB rates will be offered to the Customer in writing and on a nondiscriminatory basis.

**4.11 TEMPORARY PROMOTIONAL PROGRAMS**

The Company may establish temporary promotional programs wherein it may waive or reduce nonrecurring or recurring charges to introduce present or potential Customers to a service not presently received by the Customer(s).

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**SERVICE CHARGES**

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## SERVICE CHARGES

### 5.1 DEFINITIONS

#### 5.1.1 Account

A Customer's record relating to his/her service or equipment billed to a telephone number. Service may be located on one (1) or more premise as long as it is part of his/her main telephone system and billed to the main telephone number.

#### 5.1.2 Service Charge Elements

##### A. Service Order Charge

The Company's charge associated with the receipt, recording and processing of information in connection with a Customer's or Applicant's request for service to be provided to the same account, at the same time and on the same premise or continuous property.

##### B. Customer Premise Visit Charge

The Company's charge associated with a trip to the Customer/Applicant's premise to comply with the Customer/Applicant's request to establish, to add to, or to rearrange service.

### 5.2 APPLICATION OF CHARGES

#### 5.2.1 General

- A. Service Charges are in addition to other rates and charges normally applied under this Tariff, and are applicable for all services furnished to the Customer as indicated throughout this Tariff except as modified hereinafter. Such charges apply in addition to, and not in lieu of, Installation Charges or Construction Charges associated with unusual costs incurred to establish service.
- B. The Service Charges specified in this Tariff are intended to cover costs incurred by the Company to establish, to add to, or to rearrange service as requested by the Customer.
- C. The Service Charges in this Section are applicable to work performed during normal working hours, on days of the week other than weekends or holidays. If the Customer requests that work be performed at hours outside of the normal business hours (9:00 a.m. to 5:00 p.m.) or business week (Monday - Friday), or interrupts work once begun, an additional charge applies based on the additional costs incurred by the Company.

## Section 5

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**SERVICE CHARGES**

**5.2 APPLICATION OF CHARGES (Cont'd)**

**5.2.1 General (Cont'd)**

- D. Except as otherwise provided in this Section, all changes in location of Customer's equipment or service from one premise to another are treated as new service connections and the appropriate Service Charges will be applied.
- E. Service Charges may be required to be paid at the time of application for service, or upon presentation of a bill.
- F. Service Charges are not applicable for:
  - 1. moves or changes required for normal maintenance and repair of the Company's service;
  - 2. change or correction in billing name or address when there is not a change in responsibility and no connection, disconnection, move or change in the service;
  - 3. an upgrade or regrade of service for Company reasons;
  - 4. the connection of telephone sets or other terminal equipment when no line connection or central office access work is required;
  - 5. telephone number changes for Company reasons;
  - 6. the reestablishment of service at any location within the same exchange after the destruction or partial destruction of the Customer's premise by means beyond the control of the Customer, if service is established at a new location and the Customer later moves back to the old location, Service Charges will apply in connection with reestablishment of service at the old location;
  - 7. when existing Customers disconnect their Local Exchange Access Service;
  - 8. blocking access to 900 Service, provided that the blocking is requested either at the time the telephone service is established at a new number or within sixty (60) days of the establishment of the service;
  - 9. specific instances addressed in Section 6 of this Tariff.

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**SERVICE CHARGES**

**5.2 APPLICATION OF CHARGES (Cont'd)**

**5.2.2 Specific Application of Service Charges**

**A. Service Charges**

**1. Service Charges are applicable:**

- a. for requests to establish an account for initial connection of service;
- b. for connection of additional local exchange access lines, private lines or detached access lines to an established service;
- c. for changes and transfers of service involving a change in name and responsibility, except in the case of a surviving spouse who has established service;
- d. for restoration of service disconnected for non-payment of telephone bills;
- e. for subsequent requests for service, for restoration of service at the Customer's request, and for requests for change in class or grade of service;
- f. for service ordered while that Customer has a pending service order and which requests services that cannot be included on the pending service order;
- g. for additions, moves or changes of lines in the same building or in different buildings on the same premise;
- h. for each telephone number changed at the Customer's request, including number changes to provide trunk hunting, no charge is applicable for a number change initiated by the Company;
- i. for changes to a directory listing if a Customer requests this change more than once in a calendar year;
- j. when two (2) or more segments of a local private line or detached access line are bridged in the central office, in this event, a Service Charge will apply for each segment of the affected line.

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**SERVICE CHARGES**

**5.2 APPLICATION OF CHARGES (Cont'd)**

**5.2.2 Specific Application of Charges (Cont'd)**

**B. Customer Premise Visit Charge**

1. A Premise Visit Charge is applicable when a trip to the Customer's premise is required to complete work requested by a Customer, as shown on the related Service Order.
2. Only one (1) Premise Visit Charge will apply in connection with the same Service Order. Except when more than one (1) trip to the Customer's or Applicant's premise is necessary for Company reasons, the charge will apply if additional trips are necessitated by a Customer or an Applicant request.
3. A Premise Visit Charge is applicable when a trip to the Customer's premise is required to arrange for the connection of or change to Customer-provided equipment.
4. A Premise Visit Charge is not applicable to complete disconnection of service or a change in service or facilities initiated by the Company.

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**5.3 TERMINATION CHARGE**

When a Customer cancels an order for service prior to the establishment of service or the expiration of the initial contract period, a Termination Charge may be applicable.

**5.4 PREMISE VISIT CHARGE**

When a Customer trouble report requires a visit to the Customer premise by a Company repairman and it is found that the trouble is in the Customer-provided equipment, a non-recurring Premise Visit Charge will apply whether or not the Customer-provided equipment or inside wiring is legally connected to the facilities of the Company in accordance with the provisions of Section 11 of this Tariff. The Premise Visit Charge is also applicable when an employee is dispatched to a designated location to complete a Customer service request for the installation, move or change of service or equipment.

**5.5 RETURNED CHECK CHARGE**

The Company will assess a charge for each instance where a check is returned or otherwise dishonored by a bank or equivalent business.

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**5.6 RESTORATION OF SERVICE CHARGE**

When service is temporarily suspended for non-payment of charges and the service will be restored upon payment of past-due charges, as discussed in Section 4 of this Tariff. In addition, a Restoration of Service Charge will be applied.

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**BASIC LOCAL EXCHANGE SERVICE**

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**BASIC LOCAL EXCHANGE SERVICE**

**6.1 LOCAL EXCHANGE RATES**

**6.1.1 General**

Basic Local Exchange Service is provided by means of station, wire, switching and other facilities, plant and equipment to enable the establishment of telephone communications between stations in the same or different serving area at monthly rates as set forth below. The facilities, plant and equipment used to provide Basic Local Exchange Service are also used in the furnishing of toll telephone services at rates applicable for such services.

**6.1.2 Local Calling Areas**

Exchange

Local Calling Area

Chattanooga

Chattanooga

**6.1.3 Telecommunications Relay Service Surcharge**

The Company is charging a surcharge for Telecommunications Relay Service reflected in the Customer's total bill as ordered by the TRA. The Company concurs with the Telecommunications Relay Service rates, rules, and regulations filed with the TRA, together with any amendments or successive issues thereof, and makes itself a party to such rates, rules, and regulations.

Messages are rated from the rate center of the calling party to the rate center of the called party.

**BASIC LOCAL EXCHANGE SERVICE**

**6.2 VERIFICATION AND EMERGENCY INTERRUPT SERVICE**

**6.2.1 General**

**A. Verification**

1. The Company furnishes Verification Service for the purpose of aiding Customers with legitimate call completion problems. Upon request the operator will verify and provide the line status condition of a local Customer line.
2. A Customer-originated request for verification of a local number other than an emergency agency number is a chargeable verification request. No charge applies if the line is out of order.

**B. Emergency Interrupt Service**

1. The Company furnishes Emergency Interrupt Service when a Customer who has originated a verification request to a line which has been found to be busy informs the operator that an urgent or emergency situation exists and requests that the operator have the busy line cleared.
2. A Customer-originated request for emergency interrupt to a local number other than an emergency agency number is a chargeable Emergency Interrupt Service.
3. The Customer shall indemnify and save the Company harmless against all claims that may arise from either party to the interrupted call or any person.

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**BASIC LOCAL EXCHANGE SERVICE**

**6.2 VERIFICATION AND EMERGENCY INTERRUPT SERVICE**

**6.2.2 Rate Application**

- A. No charge will apply if the requesting Customer identifies that the call is to or from an official public emergency agency. An official public emergency agency is defined as a government agency which is operated by the federal, state or local government, and has the capability and legal authority to provide prompt and direct aid to the public in emergency situations. Such agencies include the local police, state police, fire department, etc.
- B. Charges may not be billed on a collect basis or on a third number basis to the number being verified or interrupted.
- C. If the number verified is not in use, or as a result of interrupt the line is cleared, and, at the calling party's request, the operator completes the call, the charges for operator assisted local calls as defined in Section 8 of this Tariff apply in addition to the applicable Verification and Emergency Interrupt Charges.

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**DIRECTORY PUBLICATION AND USE**

**7.1 DIRECTORY LISTINGS**

**7.1.1 Provision of Directory Listings**

- A. For each Customer of Company provided Local Exchange Service(s), the Company shall arrange for the listing of the Customer's main billing telephone number in the directory(ies) published by the incumbent Local Exchange Company in the area at no additional charge.
- B. At a Customer's option, the Company will arrange for additional listings at the rates set forth in this Tariff.
- C. Listings are regularly provided in connection with all classes of exchange service unless the Customer subscribes to Non-Published Number Service.
- D. Directory listings are provided to aid in the use of telephone service through the identification of Customers' telephone numbers.
- E. The contract period for directory listings where the primary or additional listing appears in the directory is the directory period.
- F. Non-published Telephone Number Service is provided by the Company. This is a type of service where the Customer's telephone number is not included in the published directory, but is included in the information records and is provided by the directory assistance operator upon request.

**7.1.2 Primary Directory Listings**

**A. Number of Listings Provided Without Charge**

Except as provided in this Tariff, one (1) primary listing is provided without extra charge for each main service or for the first number in a group, when two (2) or more main station lines are consecutively operated.

**DIRECTORY PUBLICATION AND USE**

**7.1 DIRECTORY LISTINGS (Cont'd)**

**7.1.3 Additional Directory Listings**

- A. The regular extra listing rates and conditions apply to each regular or special type of additional listing ordered by the Customer.
- B. Charges for additional listings begin on the date the information records are posted and are payable monthly in advance.
- C. Additional listing charges are automatically discontinued upon termination of the main service.
- D. Additional listings will have the same address as the primary Listing. When, in the opinion of the Company, it appears necessary as an aid to the use of the directory and provided satisfactory service can be furnished, exceptions may be allowed.

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**DIRECTORY PUBLICATION AND USE**

**7.1 DIRECTORY LISTINGS (Cont'd)**

**7.1.4 Non-Published Telephone Number Service**

- A. Non-Published Telephone Number Service provides for the omission or deletion of a Customer's telephone number listing from the directory(ies).
- B. In the absence of gross negligence or willful misconduct, the Company assumes no liability for publishing a non-published telephone number. Where such telephone number is published in the directory, the Company's liability shall be limited to a refund of the Company's monthly charges applicable to Non-Published Telephone Number Service.
- C. The Customer indemnifies and saves the Company harmless against any and all claims for damages caused or claimed to have been caused, directly or indirectly, by refusing to disclose a non-published telephone number upon request, or by the publication of a non-published telephone number in the telephone directory, or disclosing of such telephone number to any person.

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**DIRECTORY PUBLICATION AND USE**

**7.1 DIRECTORY LISTINGS (Cont'd)**

**7.1.4 Non-Published Telephone Number Service (Cont'd)**

- D. The rate for Non-Published Telephone Number Service does not apply to:
  - 1. additional service furnished to the same Customer who has other service listed in the directory at the same address.
  - 2. a Customer living in a hotel, hospital, retirement complex, apartment house, boarding house, or club if the Customer is listed under the telephone number of the Private Branch Exchange, Centrex or Paystation Service furnished to such establishments.
  - 3. service which is installed for a temporary period.
- E. A Customer residing in an E911 Service district forfeits the privacy afforded by Non-Published Telephone Number Service to the extent that the Customer's name, telephone number and the address associated with the service location are furnished to the E911 Service administrator, E911 Public Safety Answering Point (PSAP) or E911 Service database.

**7.1.5 Non-listed Telephone Number Service**

- A. A non-listed telephone number is one for which no listing appears in the alphabetical section of the directory. The number is listed in the information records and is given out upon request.
- B. A Service Connection Charge, as stated in Section 5.3 of this Tariff, applies to the establishment or change of non-listed telephone numbers.

**DIRECTORY PUBLICATION AND USE**

**7.1 DIRECTORY LISTINGS (Cont'd)**

**7.1.6 Liability For Directory Listing Service**

- A. The Company shall not be liable for any error, omission, or other failure in connection with directory listings furnished without additional charge. The Customer agrees to hold the Company free and harmless of and from any claims, loss, damage, or liability which may result from such error, omissions, or other failures.
- B. The liability, if any, of the Company for any error, omission, or other failure in connection with directory listings furnished at an additional charge shall in no event exceed the charge for that listing during the effective life of the directory in which the error or omission is made.
- C. In accepting listings as prescribed by Applicants or Customers, the Company will not assume liability for the result of their publication in the directory nor will the Company be a party to controversies arising between Customers or others as a result of listings published in the directory.

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**DIRECTORY PUBLICATION AND USE**

**7.2 PROVISION AND OWNERSHIP OF DIRECTORIES**

- A. One copy of local directories shall be distributed per access line, without charge. Additional directories including replacement of mutilated or destroyed directories will be furnished at the discretion of the Company at a reasonable rate.
- B. Telephone directories shall be issued approximately every twelve (12) months. The Company provides directories to assist in furnishing prompt and efficient service. The Company does not guarantee to its Customers correct listings therein. Every precaution is taken to prevent errors in, and omissions of, directory listings.

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## MISCELLANEOUS SERVICE ARRANGEMENTS

### 8.1 CUSTOM CALLING SERVICES

#### 8.1.1 General

##### A. Description of Features

##### 1. Call Forwarding

Call Forwarding enables a station user to divert all incoming calls to another directory number. Call Forwarding is activated by first dialing a code, then the telephone number to which calls are transferred. Activation, deactivation and the forward-to destination are controlled by the station user. While in the active state, a reminder tone is generated to the line with the Call Forwarding Service as each call is transferred.

##### 2. Call Waiting

Call Waiting provides a burst of tone to inform a station user with a call already in progress that another call is waiting to be answered. The station user may answer the waiting call by hanging up or hitting the switch hook.

##### 3. Cancel Call Waiting

Cancel Call Waiting allows a station user, on a per-call basis, to deactivate Call Waiting by dialing an access code.

##### 4. Remote Call Forwarding

Remote Call Forwarding allows Customers to activate their call forwarding feature from locations other than their base telephone to make forwarding changes.

##### 5. Three-Way Calling

Three-Way Calling allows a station user to add a third (3<sup>rd</sup>) party to the existing call, enabling a simultaneous conference between parties at multiple locations. If multiple parties of the conversation subscribe to this service, each may establish an additional line, to a maximum of six (6) lines.

**MISCELLANEOUS SERVICE ARRANGEMENTS**

**8.1 CUSTOM CALLING SERVICES (Cont'd)**

**8.1.2 General (Cont'd)**

**B. Description of Features (Cont'd)**

**6. Speed Calling**

Speed Calling enables a station user to call a list of up to eight (8) preselected directory numbers by dialing one (1) digit codes instead of the directory numbers.

**8.1.2 Feature Packaging**

**A. Bundled Features**

The following items are priced in bundled packages which allow discounts when more than one (1) feature is purchased. This list includes features listed above in Section 8.1 and also in Section 8.9 following.

Anonymous Call Rejection	Automatic Call Back
Automatic Recall	Call Forwarding
Call Waiting	Distinctive Ringing
Remote Call Forwarding	Selective Call Acceptance
Selective Call Rejection	Selective Call Forwarding
Speed Calling	Three-Way Calling

**B. Other Features**

1. Calling Number Identification
2. Calling Name and Number Identification
3. EPB Feature Package Plan

**MISCELLANEOUS SERVICE ARRANGEMENTS**

**8.2 LOCAL DIRECTORY ASSISTANCE SERVICE**

**8.2.1 General**

- A. Local Directory Assistance Service is furnished to Customers who request assistance in determining directory information.
- B. No charge applies to visually handicapped or physically handicapped individuals who present a certificate signed by a physician or issued by an agency recognized by the State of Tennessee as having the authority to certify the existence of such handicaps.
- C. Charges for directory assistance are not applicable to calls placed from public or semi-public pay stations, or from hospitals and hotel guest room.
- D. No credit will be given for requested listings that are nonpublished or nonlisted. No credit will be given for requested listings that are not found in the Company's directory assistance records.

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**8.3 TOLL RESTRICTION SERVICE**

**8.3.1 General**

- A. Toll Restriction Service is an optional service that prevents the origination of unauthorized toll calls from a Customer's line, by means of blocking at the Company's central office.
- B. This arrangement denies all outgoing calls starting with the digit "1" or "0".
- C. All local calls will be permitted from the Customer's line.
- D. All local calls to directory assistance will be permitted, except those that require 1+ or 0+ dialing.
- E. This service will not block all toll calls a Customer might make or receive, such as collect calls and/or long distance calls placed by dialing digits other than "1" (i.e., 976, if available).
- F. The Customer accepts full responsibility for denial of access to the toll network.
- G. The Customer accepts full responsibility for collect calls and/or long distance calls placed by dialing digits other than "1" or "0".
- H. The Customer holds the Company harmless from any and all liabilities and/or damages which may be alleged or incurred by the use of toll restriction, acceptance of collect calls, and/or long distance calls placed by dialing digits other than "1" or "0".
- I. This service is available only where facilities permit.

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**8.3 TOLL RESTRICTION SERVICE (Cont'd)**

**8.3.2 Rate Application**

If Toll Restriction Service is ordered at the time of initial installation of local service no additional Service Order Charge will be applied for installation of Toll Restriction Service.

**8.4 OPERATOR ASSISTED LOCAL CALLS**

**8.4.1 Operator Assisted Charges**

- A. All types of Local Exchange Service have local calling areas as specified in Section 6 of this Tariff which are the areas that can be called on a flat rate basis (no charge for individual calls) or on a local coin call rate basis.
- B. Local dial call: The call must be dialed and completed without the assistance of an operator and must be billed to the originating telephone when a charge is applicable.
- C. Service Charges for Operator Assisted Local Calls apply in addition to the local dial rate applicable.
  - 1. Station-to-Station customer dialed credit card local call.
  - 2. Station-to-Station operator assisted sent-paid, collect, third number, and non-customer-dialed credit card call.
  - 3. Person-to-person operator assisted local call.

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**8.4 OPERATOR ASSISTED LOCAL CALLS (Cont'd)**

**8.4.1 Operator Assisted Charges (Cont'd)**

- D. Service Charges do not apply for the following Operator Assisted Local Calls:
1. Calls to designated Company numbers for official telephone business;
  2. Emergency calls to recognizable authorized civil agencies; or
  3. Those cases where an operator provides assistance to:
    - a. re-establish a call which has been interrupted after the calling number has been reached;
    - b. reach the calling telephone number where Company-provided facility problems prevent customer dial completion; or
    - c. place a sent-paid call for a calling party who identifies himself/herself as being handicapped and unable to dial the call because of his/her handicap.

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**8.5 TELEPHONE NUMBER PREASSIGNMENT SERVICE**

**8.5.1 General**

- A. New Customers may request a number in advance of actually receiving service. This will allow the opportunity to obtain directory advertising, printing of business cards and stationery, and provide other recognized benefits. The one (1) time fee for this service is listed in Section 13, and is limited to ninety (90) days duration. Normal Service Charges apply, both on the initial order, and on the eventual establishment of the access line.

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**8.6 AUXILIARY LINE MILEAGE**

**8.6.1 General**

- A. A non-recurring Auxiliary Line Mileage Charge is made under the following conditions:
  - 1. the Company has facilities available to provide facilities to provide services to an additional location which is not in the same building as the primary line; or
  - 2. the Auxiliary Line Mileage Charge applies for the portion of the circuit connecting an additional line termination with a primary termination, where the additional termination is not in the same building as the primary. The Auxiliary Line Mileage Charge also applies for the portion of the circuit connecting a station termination with the switchboard, or Key Service Unit (KSU), where the station termination is not in the same building as the switchboard or KSU.
- B. Auxiliary Line Mileage Charge is a non-recurring charge set equal to the time and material required to provide the extra required mileage. The labor time component of the Auxiliary Line Mileage Charge is billed in quarter hour increments and is priced in the Rate Sheet.
- C. If, when furnishing auxiliary lines, it is necessary to lay underground conduit or to set poles on the Customer's premise, the Customer is required to provide and install such underground conduit and to provide and erect such poles, or the Company will do the work at the customer's expense. When the work is performed by the Customer it must be in accordance with the standard specifications of the Company. When it is necessary to provide any type of cable in conduit for such additional sets, the Customer will be required to pay the difference between the cost of the cable in plant and the cost of open wire in plant.



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8.7    CENTREX SERVICE

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**8.8 RADIO LOOPS**

**8.8.1 General**

Radio Loops are considered special services requiring irregular scheduling or installation. There are two types of Radio Loops - permanent and occasional. A permanent loop is one which shall be used continuously at the same location for a minimum period of six (6) months. An occasional loop is one used for a period of less than six (6) months.

**8.8.2 Rate Application**

- A. Monthly rates apply for:
  - 1. Permanent loop within base rate areas.
  - 2. Occasional loop within base rate area.
- B. Installation and Nonrecurring Charges apply for:
  - 1. Permanent loop
  - 2. Occasional loop
- C. Direct supervision at the beginning and/or during a broadcast will be billed at twice the hourly rate of the Company selected employee.
- D. Should it become necessary to provide balanced or loaded loops or to provide loops into an area where no facilities are available, the Company will provide the facilities in accordance with the applicable Tariff policies.

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**8.9 CUSTOM LOCAL AREA SIGNALING SERVICES (CLASS)**

**8.9.1 General**

A. Custom Local Area Signaling Services (CLASS) are enhanced services associated with Signal System Seven (SS7). CLASS is furnished only in connection with individual line service exclusive of Semi-public Telephone Service and business line service on which the Customer Premise Equipment (CPE) is a coin-operated instrument.

B. Description of Features

1. Anonymous Call Rejection

Anonymous Call Rejection allows a Customer with Calling Number Delivery to block any incoming call which does not come through with an identifiable name or number

2. Automatic Call Back

Automatic Call Back is an ongoing call management feature which will enable the Customer to have the system redial the last number called from his/her station. This will apply regardless of whether the original call was answered, unanswered, or encountered a busy tone. The system will monitor the calling and called lines and will attempt to connect the call for up to thirty (30) minutes. The activation of this feature can be canceled by the Customer when desired

3. Automatic Recall

Automatic Recall is an incoming call management feature which will enable a Customer to have a call setup performed automatically to the calling party of the last incoming call. This will apply whether the incoming call was answered, unanswered, or encountered a busy tone. This feature is available with level one or level two activation. At level two, the Customer can receive an announcement stating the directory number of the last incoming call before the call set-up is completed. This will allow the Customer to decide if he/she wishes to proceed with the call or to drop the request.

**MISCELLANEOUS SERVICE ARRANGEMENTS**

**8.9 CUSTOM LOCAL AREA SIGNALING SERVICES (CLASS) (Cont'd)**

**8.9.1 General (Cont'd)**

**B. Description of Features (Cont'd)**

**4. Calling Number Delivery (Caller ID)**

Calling Number Delivery (Caller ID) will enable the Customer to receive the time, the date and the calling number on an incoming call. The number will be delivered to the called party's CPE in the interval between the first (1<sup>st</sup>) and second (2<sup>nd</sup>) ring. The calling number will remain for the duration of the call and can be viewed from the display of the CPE.

**5. Calling Name and Number Delivery**

Calling Name and Number Delivery will enable the Customer to receive the name of the caller, the time, the date and the calling number on an incoming call. The number will be delivered to the called party's CPE in the interval between the first (1<sup>st</sup>) and second (2<sup>nd</sup>) ring. The displayed name is the name associated with the calling party number.

**6. Calling Number Delivery Blocking**

Calling Number Delivery Blocking will allow the calling party to suppress a directory number such that the called party with Calling Number Delivery does not receive the information. The called party will receive a "private" message instead of the calling party's directory number.

To activate this feature, there must be a two (2) digit code for touch tone, and four (4) digit for rotary dialed prior to placing a call. Calling Number Delivery Blocking on a per line basis is also available. This feature blocks Calling Number Delivery on all calls without the necessity of dialing a code with each call.

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**8.9 CUSTOM LOCAL AREA SIGNALING SERVICES (CLASS) (Cont'd)**

**8.9.1 General (Cont'd)**

**B. Description of Features (Cont'd)**

**7. Customer-Originated Trace**

Customer-Originated Trace allows the Customer to initiate a trace on the last incoming call. The results of the trace will not be provided directly to the Customer initiating the trace. The trace log will be printed at the Telephone Company or at some designated law enforcement agency premise. The Customer will contact this agency to determine further action to be taken.

The Customer with this feature assigned as a station option will dial an activation code to activate the feature. The call will be traced automatically, and the originating directory number and the time the call was made will be forwarded to the predetermined location.

**8. Distinctive Ringing**

Distinctive Ringing is an incoming call management feature which will allow the Customer to define directory numbers that will provide the Customer with special incoming call treatment. Any incoming calls on this list will be indicated by a distinctive ringing pattern or a distinctive Call Waiting tone, if applicable. Terminating calls from telephone numbers which are not on the list, or which cannot be identified, will be given standard treatment.

**9. Selective Call Acceptance**

Selective Call Acceptance will allow Customers to define a list of calling directory numbers that will be accepted. Any calling numbers not on that list will be routed to announcements and rejected. The calling party not on the acceptance list will receive an announcement stating that the call is not presently being accepted by the called party. Customers can review and change the list of accepted directory numbers as desired.

**MISCELLANEOUS SERVICE ARRANGEMENTS**

**8.9 CUSTOM LOCAL AREA SIGNALING SERVICES (CLASS) (Cont'd)**

**8.9.1 General (Cont'd)**

**B. Description of Features (Cont'd)**

**10. Selective Call Forwarding**

Selective Call Forwarding will allow the Customer to have certain terminating calls forwarded to a designated remote station. The activity will occur whenever a call is received from a telephone number which has been indicated on a list of numbers, referred to as the Selective Call Forwarding screening list. Terminating calls from telephone numbers which cannot be identified or have not been indicated on the list will be given standard terminating treatment.

**11. Selective Call Rejection**

Selective Call Rejection will allow the Customers to define a list of, at a maximum of six (6), directory numbers to be screened. Any calling numbers on this list will be routed to announcements and rejected. All other calls will be treated normally. The calling party on the rejection list will receive an announcement stating the call is not presently being accepted by the called party.

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**PAY TELEPHONE SERVICE**

**9.1 PUBLIC TELEPHONE ACCESS SERVICE FOR CUSTOMER PROVIDED EQUIPMENT**

**9.1.1 General**

- A. Public Telephone Access Service is an Exchange Line Service provided at the request of the Customer for telecommunications use by the general public at locations accessible to the general public.
- B. Public Telephone Access Service is provided for use only with Customer provided telephones. The Company reserves the right to not supply a Public Telephone Access Line where provision of Public Payphone Service is restricted by lack of company's facilities.
- C. The carriage and completion of local messages and IntraLATA toll messages are provided by the Company as stated elsewhere in this Tariff.
- D. Public Telephone Access Service is provided subject to the condition that telephone messages (local and long distance) placed from stations which are accessible to the public are completed over Public Telephone Access Lines. Where Public Telephone Access Service is furnished, any type or grade of business service offered regularly at that location may be furnished in addition, provided such business service is confined to locations solely for use by the particular establishment.
- E. Customer-provided public telephones may not be attached to other types of access lines. A Customer must order a separate Public Telephone Access Line for each telephone installed and will be billed that Tariffed rate for each line.
- F. Public Telephone Access Service will only be provided as two (2) way service and there will be no charge imposed for non-chargeable incoming calls.

**9.1.2 Responsibility of the Customer**

- A. The Customer shall be responsible for the installation, operation and maintenance of any Customer-provided telephones used in connection with this service.
- B. The Customer shall be responsible for payment of a Maintenance of Service Charges as covered in Section 5 of this Tariff for each visited by the Company to the premise of the Customer, where the service difficulty or trouble reports result from the use of equipment of facilities provided by the Customer.

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**9.1 PUBLIC TELEPHONE ACCESS SERVICE FOR CUSTOMER PROVIDED EQUIPMENT (Cont'd)**

**9.1.2 Responsibility of the Customer (Cont'd)**

- C. Customer-provided telephones must be connected to the Company network in compliance with Part 68 of the FCC Rules and Regulations and have the following operational characteristics:
1. must be able to access the "Operator" and local Directory Assistance at no charge to the calling party;
  2. must be able to access 911 Emergency Service, where available, at no charge;
  3. the appropriate emergency number (Operator or 911) must be clearly posted at each location of a Customer-provided telephone;
  4. must clearly display information consisting of local address and telephone numbers where a caller can obtain assistance in the event that the Customer provided telephone malfunctions in any way, must clearly indicate procedures for obtaining a refund from the Customer and that the Customer provided telephone is not being provided by the Company. (The Company is not responsible for refunds of coins deposited in Customer provided coin-operated public telephones). The phone must display the name and address of the applicable operator service provider. The phone must display the address of the Federal Communications Commission;
  5. must be equipped to return the coins to the caller in the case of an incomplete call;
  6. the telephone number of the line must be displayed on each Customer provided telephone;
  7. must be capable of providing access to all interexchange carriers certified to do business in Tennessee; and
  8. must be capable of completing local and Toll Calls.

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**PAY TELEPHONE SERVICE**

**9.1 PUBLIC TELEPHONE ACCESS SERVICE FOR CUSTOMER PROVIDED EQUIPMENT (Cont'd)**

**9.1.2 Responsibility of the Customer (Cont'd)**

- D. The Customer to this service shall be responsible for any and all toll charges billed in connection with the Public Telephone Access Service. The Customer will be responsible for selecting a toll provider and will be responsible to the provider for paying all toll charges.
- E. The Customer is responsible for meeting all federal, state and local statutes with respect to provisions of Customer provided telephones in accordance with all hearing impaired and handicapped person requirements.

**9.1.3 Violations of Regulations**

- A. Violations of the Tariff, TRA rules pertaining to public telephone service, or certification requirement will subject customers of Public Telephone Access Service to disconnection of service if the deficiency is not corrected within ten (10) days from date of notification to the Customer.

**9.1.4 Rates and Charges Applied By The Company**

- A. Public Telephone Access Service is provided on a Flat Rate basis.
  - 1. Flat Rate Service  
  
Public Telephone Access Line, each
  - 2. The Customer, who is billed for the access line, will be billed for calls to 411 (Local Directory Assistance) at charge equivalent to those charged on business individual line service. No 411 charges will be billed to the calling party.
  - 3. A charge equivalent to that charged on business individual line service is applicable for Directory Assistance Service for calls outside the local calling area.

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**PAY TELEPHONE SERVICE**

**9.1 PUBLIC TELEPHONE ACCESS SERVICE FOR CUSTOMER PROVIDED EQUIPMENT (Cont'd)**

**9.1.4 Rates and Charges Applied By The Company (Cont'd)**

4. Service Charges, as specified elsewhere in this Tariff, for business individual line service are applicable. Changes in service from an existing exchange service to Public Telephone Access Service will be considered as new service.
5. Listings in connections with Public Telephone Access Service are furnished under the same rates as other business service.

**9.1.5 Rates and Charges Applied By The Customer**

- A. Charges for a local call may not exceed the charge authorized by the TRA for Company provided local coin service. No time limit shall be imposed on the duration of a local call made from a Customer provided telephone.

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**CHARGES APPLICABLE UNDER SPECIAL CONDITIONS**

**10.1 SPECIAL CHARGES FOR TEMPORARY, SPECULATIVE OR UNUSUAL CONSTRUCTION**

**10.1.1 General**

- A. Facilities of the Company may, at the Company's discretion, be extended in accordance with the provisions of this Section. Special Charges may be applied in addition to the Usual Service Connection Charges and monthly rates. Special Charges apply primarily when unusual investment or expense will be incurred by the Company, such as when:
  - 1. conditions require, or the Customer requests the provision of special equipment, unusual or non-standard methods of plant construction, installation or maintenance or a move of Company facilities;
  - 2. the Customer's location requires the use of costly private right-of-way; or
  - 3. the proposed service is of a temporary nature and the plant to be used for such service would not all be of value to the Company in the general conduct of its business upon discontinuance of that service.
- B. The Company will retain title to all plant constructed, as specified within this Tariff, whether provided wholly or partially at a Customer's expense.
- C. The Customer is required to pay all Construction Charges made by another Telephone Company providing facilities connecting with the facilities of the Company.
- D. Applicants may be required to make nonrefundable advance payments to cover all or a portion of the excess Construction Charges for Exchange Service or Special Service Arrangements when in the opinion of the Company there is evidence of credit risk. A cash deposit may also be required as discussed under Section 4 of this Tariff.
- E. When attachments are made to poles of other companies, instead of providing construction for which the Customer would be charged under the provisions of this Section, the Customer shall pay the Company's cost for such attachments.
- F. Line extensions and special service arrangements are further subject to the regulations specified in the Tariffs of this Company.

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**CHARGES APPLICABLE UNDER SPECIAL CONDITIONS**

**10.1 SPECIAL CHARGES FOR TEMPORARY, SPECULATIVE OR UNUSUAL CONSTRUCTION (Cont'd)**

**10.1.2 Application of Special Charges**

- A. Temporary Construction - The Customer shall be charged the estimated cost of construction and removal of the plant which would not be of value to the Company, less the estimated net recovery value of the material used. The Company may require the Customer to pay the cost of construction plus the cost of removal, less salvage, for temporary construction performed in advance of permanent construction or to provide temporary service.
- B. Power Requirements for Radio Service - At the Company's discretion, Radio Service may be used to provide the Customer's telephone service. If telephone service will be provided by radio equipment, the Customer will be responsible for ensuring that AC power is available to the Company for connection at the primary service location. The Customer will be responsible for any and all Installation and Monthly Charges incurred for the provision of such power.

If natural or man-made obstructions, in or around the primary service location, would prevent or interfere with the accurate reception and operation of the radio equipment, the Company will pay for the construction of additional power facilities to a suitable alternate radio location. The Company will be responsible for reasonable construction costs; however, the Customer will be responsible for upkeep and payment of any Monthly Power Charges incurred at the primary residence and alternate power locations.

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**CHARGES APPLICABLE UNDER SPECIAL CONDITIONS**

**10.2 SPECIAL CONSTRUCTION**

**10.2.1 Private Property**

- A. An average amount of entrance and distribution facilities will be furnished by the Company provided the facilities are of the standard type normally furnished for the particular location or kind of service.
- B. The Applicant may be required to pay the costs over and above those applicable for a normal installation:

If additional entrance or distribution facilities are required; if the conditions are such as to require special facilities, maintenance or methods of construction; if the installation is for a temporary or semi-permanent purpose; or if for any other reason the construction costs are excessive as compared with the revenue to be derived.

- C. The Customer will provide the Company upon request and without charge written permission for the placing of the Company's facilities on the property.

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**10.2 SPECIAL CONSTRUCTION (Cont'd)**

**10.2.2 Underground Service Connections**

- A. When Customers request underground service connections instead of aerial drop wires which would ordinarily be used to reach the Customer's premise, or when aerial facilities are used to provide service or channels to a Customer and the Customer subsequently requests that such facilities be placed underground, the following regulations apply:
1. Where cable is to be placed in conduit, the underground conduit shall be constructed and maintained by or at the expense of the Customer. The underground conduit shall be constructed in accordance with plans and specifications furnished by the Company;
  2. The duct or ducts required in the underground conduit by the Company to furnish service shall be reserved for its exclusive use;
  3. Where cable is laid in a trench at the Customer's request, the trench shall be constructed and back filled under the Company's supervision and by or at the Customer's expense;
  4. Cable installed in conduit will be maintained and replaced at the expense of the Company where the conduit has been inspected in place by the Company and approved, but repairs or replacements of cable in the conduit or trench made necessary by damage caused by the Customer or his representatives will be made only at the Customer's expense;
  5. Where facilities are changed from aerial to buried or underground, in addition to the above, the Customer is charged the cost of dismantling and removing the aerial facilities;
  6. Except as otherwise provided herein, the regulations in this Tariff contemplate that the type of construction required to provide the quantity and class of service involved will be determined by the Company. The Applicant may be required to pay additional costs involved where a different type of construction than that proposed by the Company is desired; and

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**CHARGES APPLICABLE UNDER SPECIAL CONDITIONS**

**10.2 SPECIAL CONSTRUCTION (Cont'd)**

**10.2.2 Underground Service Connections (Cont'd)**

**A. (Cont'd)**

7. When a special type of construction other than those covered preceding is desired by the Customer or when the individual requirements of a particular situation make the construction unusually expensive, the Customer is required to bear the excess cost of such construction. Any special maintenance expense that may from time to time occur will be borne by the Customer except that maintenance of buried service wire, including associated trenching where required, will be at the expense of the Company.

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**CHARGES APPLICABLE UNDER SPECIAL CONDITIONS**

**10.3 SPECIAL SERVICE ARRANGEMENTS**

**10.3.1 General**

- A. If the requirements of Customers cannot be met with the regularly offered service arrangements, Special Service Arrangements may be furnished by the Company, where practical, at charges equivalent to the estimated cost of such equipment and arrangements provided it is not detrimental to any of the services furnished under the Company's Tariffs.

**10.3.2 Computation of Rates and Charges**

- A. Rates for Special Service Arrangements are equivalent to the estimated costs of furnishing the Special Service Arrangement.
- B. Estimated cost consists of an estimate of the total cost to the Company in providing the Special Service Arrangement including:
  - 1. cost of maintenance;
  - 2. cost of operation;
  - 3. depreciation on the estimated installed cost of any facilities used to provide the Special Service Arrangement based on the anticipated useful service life of the facilities with an appropriate allowance for the estimated net salvage;
  - 4. general administration expenses, including taxes on the basis of average charges for these items;

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**10.3 SPECIAL SERVICE ARRANGEMENTS (Cont'd)**

**10.3.2 Computation of Rates and Charges (Cont'd)**

**B. (Cont'd)**

5. any other item of expense associated with the particular Special Service Arrangement, and
  6. an amount, computed on the estimated cost installed of the facilities used to provide the Special Service Arrangement, for return on investment.
- C. Estimated installed cost mentioned above includes cost of equipment and materials provided or used plus the estimated cost of installing, including engineering, labor, supervision, transportation, rights-of-way, and other items which are chargeable to the capital accounts.
- D. Special Service Arrangement rates are subject to review and revision conditioned upon changing costs.
- E. At such time as a Special Service Arrangement becomes a Tariff offering, the Tariff rate or rates will apply from the date of Tariff approval.
- F. The following rate treatments may be used in connection with charges for Special Service Arrangements.
1. Monthly rental and termination agreement with or without an Installation Charge.
  2. Monthly rental with or without an Installation Charge.
  3. Installation Charge only.

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**CUSTOMER-PROVIDED EQUIPMENT AND FACILITIES**

**11.1 CONNECTION ON CUSTOMER PREMISE**

**11.1.1 General**

Terminal equipment, inside wiring and/or communications systems may be connected at the Customer's premise to facilities furnished by the Company for telecommunications services, subject to the conditions and rates set forth in this Section and as otherwise provided in this Tariff.

**11.1.2 Responsibility of the Company**

- A. The Company shall not be responsible for the installation, operation or maintenance of any Customer-provided terminal equipment, inside wiring or communications system. Telecommunications services are not represented as adapted to the use of all types of terminal equipment or communications systems. Where terminal equipment or communication systems are used with telecommunications services, the responsibility of the Company shall be limited to the furnishing of service components suitable for telecommunications services and to the design, maintenance and operation of service components in a manner proper for such service. Subject to this responsibility, the Company shall not be responsible for (1) the through transmission of signals generated by the terminal equipment or communications systems or for the quality of, or defects in, such transmission, (2) the reception of signals by terminal equipment or communications systems, or (3) address signaling where such signaling is performed by signaling equipment.
- B. At the Customer's request the Company will provide information concerning interface parameters, including the number of ringers which may be connected to a particular telephone line, needed to permit terminal equipment to operate in a manner compatible with telecommunications services.
- C. The Company may make changes in its telecommunications service, equipment, operations or procedures, where such action is not inconsistent with Part 68 of the FCC rules. If such changes can be reasonably expected to render any Customer's terminal equipment incompatible with telecommunications service, require modification or alteration of such premise equipment, or otherwise materially affect its use or performance, the Customer will be given adequate notice at least thirty (30) days in advance, in writing, to allow the Customer an opportunity to maintain uninterrupted service.

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Effective:

Ronald N. Fugatt, Executive Vice President  
Electric Power Board  
536 Market Street  
Chattanooga, TN 37402

**CUSTOMER-PROVIDED EQUIPMENT AND FACILITIES**

**11.1 CONNECTION ON CUSTOMER PREMISE (Cont'd)**

**11.1.2 Responsibility of the Company (Cont'd)**

- D. The Company shall not be responsible to the Customer if such changes, which are not inconsistent with Part 68 of the FCC Rules and Regulations, renders the Customer-provided terminal equipment, protective circuitry, or communications systems obsolete or require modification or alteration of such equipment.

**11.1.3 Liability of the Company**

- A. The Company will not be responsible for any loss, damage or any impairment or failure of service arising from, or in connection with, the use of terminal equipment.
- B. The Company will not be liable for damages arising out of injuries to persons or property caused by the Customer-provided terminal equipment from voltages or currents transmitted over the facilities of the Company.

**11.1.4 Responsibility of the Customer**

- A. Upon request of the Company, the Customer shall give proper notice of intention to the Company when connection of terminal equipment or protective circuitry is made. The Customer also shall provide to the Company the line(s) to which such connection is to be made, the FCC Registration Number and the Ringer Equivalence of the registered terminal equipment or registered protective circuitry, so as to comply with the FCC Rules and Regulations.
- B. The operating characteristics of Customer-provided terminal equipment, inside wiring or communications systems shall be such as to not interfere with any of the services offered by the Company, and shall conform to the network protection criteria set forth in this Section. In addition, terminal equipment and facilities shall be operated within the limits set forth below:
  - 1. The safety of Company employees or the public cannot be endangered;
  - 2. Operation of the equipment and facilities cannot damage, require change in, or alteration of, the equipment or other facilities of the Company;
  - 3. No interference with the proper functioning of Company equipment or facilities.

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**CUSTOMER-PROVIDED EQUIPMENT AND FACILITIES**

**11.1 CONNECTION ON CUSTOMER PREMISE (Cont'd)**

**11.1.4 Responsibility of the Customer (Cont'd)**

**B. (Cont'd)**

4. The operation of the equipment and facilities cannot impair the operation of the Company's facilities or otherwise injure the public in its use of the Company's services.
- C. Upon suitable notification to the Customer, the Company may make such tests and inspections as may be necessary to determine that the above requirements are being fulfilled in connection with the installation, operation and maintenance of customer-owned facilities or equipment. The Company may interrupt the connection if at any time such action should become necessary in order to protect any of its services because of departure from these requirements.
- D. Upon notice from the Company that the terminal equipment of the Customer is causing or is likely to cause hazard or interference, the Customer shall make such changes as may be necessary to remove or prevent such hazard or interference, and shall confirm in writing to the Company within ten (10) days following receipt of notice from the Company that such changes have been made. When immediate action is required to protect the Company's facilities from hazards caused by terminal equipment, the Company may immediately take such action as is necessary without prior notice to the Customer. As soon as possible after such action is taken, the Company will inform the Customer of the nature of the hazard and the type of remedial action taken. Failure of the Customer to remove the hazard or make remedial changes in the terminal equipment or to give the required written confirmation to the Company shall result in suspension of the Customer's service until such time as the Customer complies with the provisions of this Tariff.
- E. The Customer indemnifies and saves the Company harmless against claims for infringements of patents arising from combining terminal equipment used in connections with facilities of the Company.

**11.1.5 Connection at Hazardous or Inaccessible Locations**

Terminal equipment and facilities which serve a location which the Company considers impractical to serve because of hazard or inaccessibility may be used or connected with facilities of the Company for telecommunications service through connecting equipment furnished by the Company.

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**CUSTOMER-PROVIDED EQUIPMENT AND FACILITIES**

**11.1 CONNECTION ON CUSTOMER PREMISE (Cont'd)**

**11.1.6 Connections of Registered Equipment**

**A. Registered Terminal Equipment, Registered Protective Circuitry and Registered Communications Systems**

Registered terminal equipment, protective circuitry, and communications systems may be directly connected at the Customer's premise to the telecommunications network, subject to Part 68 of the FCC Rules, and the provisions of this Tariff.

All combinations of registered equipment and associated non-registered terminal equipment (including but not limited to wiring) shall be installed, operated and maintained so that the requirements of Part 68 of the FCC Rules are continually satisfied. The Company may discontinue service or impose other remedies as provided for in Part 68 for failure to comply with these provisions.

**B. Premise Wiring Associated With Registered Communications Systems**

1. Protected premise wiring requiring acceptance testing for imbalance is premise wiring which is electrically behind registered equipment, system components or circuitry which assure that electrical contact between the wiring and commercial power wiring will not result in hazardous voltages to the Company's facilities.
2. Unprotected premise wiring is all other premise wiring.

Customers who intend to connect premise wiring other than fully-protected premise wiring to the telephone network shall give advance notice to the Company and comply with the procedures specified in Part 68 of the FCC Rules, or as otherwise authorized by the FCC.



**CUSTOMER-PROVIDED EQUIPMENT AND FACILITIES**

**11.1 CONNECTION ON CUSTOMER PREMISE (Cont'd)**

**11.1.6 Connections of Registered Equipment (Cont'd)**

3. The Company may invoke extraordinary procedures as specified in Part 68 of the FCC Rules where one or more of the following conditions are present:
  - a. information provided in the installation supervisor's affidavit gives reason to believe that a violation of Part 68 is likely;
  - b. a failure has occurred during acceptance testing for imbalance; or
  - c. harm has occurred and there is reason to believe that this harm was a result of wiring operations performed under Part 68.
4. In addition, the Company may monitor or participate in acceptance testing for imbalance, or may inspect other than fully-protected premise wiring installations as set forth in Part 68 of the FCC Rules.

**C. Connections Involving National Defense and Security**

In certain cases, Part 68 of the FCC Rules permits the connection of unregistered terminal equipment or communications systems to the telecommunications network, provided that the Secretary of Defense, the head of any other governmental department (having requisite FCC approval), or their authorized representative certifies in writing to the Company that:

1. the connection is required in the interest of national defense and security;
2. the equipment to be connected either complies with the technical requirements of Part 68 or will not cause harm to the telecommunications network or Company employees; and
3. the work is supervised by an installation supervisor who meets the qualifications stated in Part 68.

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**CUSTOMER-PROVIDED EQUIPMENT AND FACILITIES**

**11.2 RECORDING OF TWO-WAY TELEPHONE CONVERSATIONS**

**11.2.1 General**

- A. Telecommunications services are not represented as adapted to the recording of two (2) way telephone conversations. However, voice recording equipment may be directly, acoustically or inductively connected with telecommunications services as follows:
  - 1. a distinctive recorder tone that is repeated at intervals of approximately fifteen (15) seconds is required when recording equipment is in use and is connected with services of the Company; or
  - 2. all parties to the telephone conversation must give their prior consent to the recording of the conversation. The prior consent must be obtained in writing, or be part of, and obtained at the start of the recording.
- B. The voice recording equipment shall be so arranged that, at the will of the user, it can be physically connected to and disconnected from the services of the Company or switched on and off.
- C. A broadcast licensee shall be exempt from the above recording requirements provided at least one (1) of the following requirements is met:
  - (a) the licensee informs each party to the call of its intent to broadcast the conversation;
  - (b) each party to the call is aware of the licensee's intent to broadcast the call; or
  - (c) such awareness of the licensee's intent to broadcast the call may be reasonably imputed to the party.
- D. The Federal Communications Commission has established exceptions to these requirements in cases of recording of: calls to and from emergency numbers involving health, safety, police, public utilities and road service; calls made by the U.S. Department of Defense Emergency Command Centers and U.S. Nuclear Regulatory Commission Operations Centers; calls made from patently unlawful purposes (such as bomb threats, kidnap ransom requests and obscene telephone calls); calls made by the U.S. Secret Service concerning Presidential security; and calls made by law enforcement or intelligence authorities acting under color of law.

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**CUSTOMER-PROVIDED EQUIPMENT AND FACILITIES**

**11.3 SERVICE CHARGES**

**11.3.1 Maintenance Service Charge**

If a Company employee makes a repair visit to the Customer's premise where it is determined that the service difficulty results from the terminal equipment, inside wiring or a communications system, the Customer shall be responsible for payment of a Maintenance Service Charge as shown in Section 5 of this Tariff.

**11.3.2 Failure of Acceptance Tests**

If the premise wiring of communications systems fails acceptance tests monitored by, or participated in by, the Company as provided for in the FCC's code and/or if the wiring has caused harm to the network, the Customer shall agree to pay the Company an amount based on the costs of activities performed by its employees.

**11.3.3 Line Conditioning or Treatment**

Should a Customer's line require treatment or conditioning other than that which would normally be required to operate a local loop because of the connection of Customer premise equipment or transmission of data, the Customer will be required to bear the cost that exceeds normal engineering standards for local loops. The cost will be determined on an individual cost basis.

**11.3.4 Damages to Facilities**

Customers providing their own premise equipment shall reimburse the Company for the cost of damages or changes requested by the Customer to facilities or equipment of the Company, caused by the negligence or willful act of the Customer or resulting from improper use of Company facilities, or due to the malfunction of any facilities or equipment provided by other than the Company.

**PRIVATE LINE TELEPHONE SERVICE**

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Ronald N. Fugatt, Executive Vice President  
Electric Power Board  
536 Market Street  
Chattanooga, TN 37402

Effective:

**PRIVATE LINE TELEPHONE SERVICE**

**12.1 GENERAL**

- A. Private Line telephone Service provides a dedicated transmission path to connect Customer designated premise, directly, through a Company hub or hubs where bridging or multiplexing functions are performed, or to connect a Customer designated premise and a WATs Serving Office. Private Line includes all exchange access not utilizing the Company's switching equipment.

The connections provided by Private Line Service can be either analog or digital. Analog connections are differentiated by spectrum and bandwidth. Digital connections are differentiated by bit rate.

- B. Company services may be connected to the services or facilities of other communications carriers only where authorized by, in accordance with, the terms and conditions of any tariffs of such other communications carriers.
- C. All facilities required for this service are furnished by the Company on a full period basis only.
- D. The service equipment and channels provided under this Section are not furnished for the commercial transmission of communications between servicing area and not for the use in competition with any form of service rendered by the Company or its connecting companies.
- E. Where special or unusual configurations are required for this service, one that has limited requirements by other customers of the Company, either an Installation Charge or Termination Charge may be required at the option of the Company. Such charge will be at least equal to the nonrecovered in plant cost plus taxes, overhead and profit.

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Effective:

**PRIVATE LINE TELEPHONE SERVICE**

**12.2 SERVICE CONFIGURATIONS**

- A. There are two (2) types of service configurations over which Private Line Service can be provided: two (2) point service and multi-point service.

1. Two (2) Point Service

A two (2) point service connects two (2) Customer designated premise, either on a directly connected basis or through a hub where multiplexing functions are performed, or a Customer designated premise and a WATs serving office.

The applicable rate elements are:

Channel Termination  
Channel Mileage (where applicable)  
Optional Features (where applicable)

2. Multi-Point Service

Multi-point services connects three (3) or more Customer designated premise through one (1) or more Company hubs.

The channel between hubs (i.e. bridging locations) on a multi-point service is a mid-link. There is no limitation on the number of mid-links available with multi-point service. However, when more than three (3) mid-links are in a tandem, are provided, the quality of the overall service may be degraded.

Multi-point service utilizing a customized technical specification package will be provided when technically feasible. If the Company decides that the requested parameter specifications are not compatible, the Customer will be advised and given an opportunity to change the order. When a customized channel is ordered, the Customer will be notified whether Additional Engineering Charges apply. In such cases, the Customer will be advised and given the opportunity to change the order.

**PRIVATE LINE TELEPHONE SERVICE**

**12.3 DESCRIPTIONS**

**12.3.1 Voice Grade Service**

**A. Basic Channel Description**

A voice grade channel is a channel which provides voice frequency transmission capability in the normal frequency range of 300 to 3,000 Hz and may be terminated two (2) wire or four (4) wire.

**B. Optional Features and Functions**

**1. Central Office Bridging Capability**

Both voice and data bridging are available.

**PRIVATE LINE TELEPHONE SERVICE**

**12.3 DESCRIPTIONS (Cont'd)**

**12.3.1 Voice Grade Service (Cont'd)**

**2. C-Type Conditioning**

C-Type Conditioning is provided for the additional control of attenuation distortion and envelope delay distortion on data services. The attenuation distortion specifications for C-Type conditioning are delineated in Technical Reference TR-TSY-0003335.

**3. Improved Return Loss**

On effective four (4) wire transmission at four (4) wire point of termination (applicable to each two (2) wire port), Improved Return Loss provides for a fixed 600 ohm impedance, variable level range and simplex reversal. Company equipment is required at the Customer premise where this option is ordered.

**4. Signaling Capability**

Signaling capability provides for the ability to transmit signals from one Customer premise to another Customer premise on the same service.

**5. Selective Signaling Arrangement**

An arrangement that allows code selective ringing for up to ten (10) codes on a multi-point service.

**6. Transfer Arrangement**

An arrangement that affords the Customer an additional measure of flexibility in the use of an access channel. The arrangement can be used to transfer a leg of a Private line Service to another channel that terminates in either the same or a different Customer premise. A key activated or dial-up control is required to operate the transfer arrangement. A spare channel, if required, is not included as part of this option.



**PRIVATE LINE TELEPHONE SERVICE**

**12.3 DESCRIPTIONS (Cont'd)**

**12.3.2 Digital Data Service**

**A. Basic Channel Description**

A Digital Data Private Line is a channel for duplex four (4) wire transmission of synchronous serial data at the rate of 56 or 64 Kbps. The actual bit rate is a function of the channel interface selected by the Customer. The channel provides a synchronous service with timing provided by the Company to the Customer in the received bit stream. Digital Data channels are provided as either hubbed or non-hubbed between Customer designated premise or between a Customer designated premise and a Company hub or hubs.

The Company will provide a channel capable of meeting monthly average performance equal to or greater than 99.875% error-free seconds (if provided through a digital data hub) while the channel is in service, if it is provided through a CSU equivalent which is designed, manufactured, and maintained to conform with the specifications contained in Technical Reference PUB 62310.

**B. Optional Features and Functions**

**1. Transfer Arrangement**

An arrangement that affords the Customer an additional measure of flexibility in the use of an access channel. The arrangement can be used to transfer a leg of a Private Line Service to another channel that terminates in either the same or a different Customer premise. A key activated or dial-up control is required to operate the transfer arrangement. A spare channel, if required, is not included as part of this option.

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**PRIVATE LINE TELEPHONE SERVICE**

**12.3 DESCRIPTIONS (Cont'd)**

**12.3.3 High Capacity Service**

**A. Basic Description**

A High Capacity channel is a channel for the transmission of 1.544 or 44.736 Mbps isochronous serial data. The actual bit rate is a function of the channel interfaces selected by the Customer.

The Customer may provide the Network Channel Terminating Equipment associated with the High Capacity channel at the Customer's premise.

A channel with the technical specifications of HC1 will be capable of an error-free performance of 98.75% over a continuous twenty-four (24) hour period as measured at the rate of 1.544 Mbps rate through a CSU equivalent which is designed, manufactured and maintained to conform with the specifications in Technical Reference PUB 62411.

**B. Optional Features and Functions**

**1. Transfer Arrangement**

An arrangement that affords the Customer an additional measure of flexibility in the use of an access channel. The arrangement can be used to transfer a leg of a Private line Service to another channel that terminates in either the same or a different Customer premise. A key activated or dial-up control is required to operate the transfer arrangement. A spare channel, if required, is not included as part of this option.

**2. Central Office Multiplexing**

DS3 to DS1. This is an arrangement that converts a 44.736 Mbps channel to twenty-eight (28) DS1 channels using digital time division multiplexing.

DS1 to Voice. This is an arrangement that converts a 1.544 Mbps channel to twenty-four (24) channels for use with Voice Grade Service.

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Chattanooga, TN 37402

**13.1 RATES AND CHARGES**

The attached Rate Sheets are effective Month, Day, Yr.

Issued: September 3, 1998

Ronald N. Fugatt, Executive Vice President  
Electric Power Board  
536 Market Street  
Chattanooga, TN 37402

Effective:

## **EXHIBIT F**

## ASSISTANCE TO SMALL AND MINORITY BUSINESSES

It is the policy of the Electric Power Board that assistance be made available to small and minority businesses in learning and qualifying to do business with EPB

The President and CEO, through the Purchasing Manager, shall have responsibility to implement and carry out this policy

The Purchasing Manager will

- Provide publicity, publications, and training programs designed to assist said businesses in learning how to do business with EPB
- Compile and maintain source listings of said businesses for inclusion on solicitation mailing lists to encourage procurement from said businesses.

The Purchasing Manager will ensure that said businesses are solicited whenever possible

The Purchasing Manager may reduce bonding requirements or accept alternate forms of security to encourage procurement from said businesses. The purchasing Manager may provide special provisions for progress payments as deemed necessary to encourage a successful procurement.

The Purchasing Manager shall assure that small and minority businesses are solicited on each procurement whenever possible.

The President and CEO shall, in January of each year, report to the Board all payments to said businesses during the preceding 12 months. Interim reports will be provided to the Board on a quarterly basis. Said reports shall include separate statistics on payments to small and minority telecommunications businesses.

Minority business means a business which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls the daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex or national origin and such business has annual gross receipts of less than four million dollars (\$4,000,000).

Small business means a business with annual gross receipts of less than four million (\$4,000,000)

Notwithstanding this policy, any contracts subject to statutory bidding requirements shall comply with the applicable Tennessee statutes and procurement of federal assistance or contracts shall comply with such federal laws and regulations mandatorily applicable.

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IN RE:

APPLICATION OF ELECTRIC	)	
POWER BOARD OF CHATTANOOGA	)	
FOR A CERTIFICATE OF PUBLIC	)	Docket No. 97-07488
CONVENIENCE AND NECESSITY	)	
TO PROVIDE INTRASTATE	)	
TELECOMMUNICATIONS SERVICES	)	

REVISED DIRECT TESTIMONY OF HAROLD E. DEPRIEST,  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
OF  
THE ELECTRIC POWER BOARD OF CHATTANOOGA

FILED ON BEHALF OF  
THE ELECTRIC POWER BOARD OF CHATTANOOGA

September 3, 1998

1 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

2 A. My name is Harold E. DePriest, and I am the President and  
3 Chief Executive Officer of the Electric Power Board of  
4 Chattanooga ("Electric Power Board"). My business address is  
5 P.O. Box 182255, Chattanooga, Tennessee 37422-7255.  
6

7 Q. PLEASE DESCRIBE YOUR POSITION AND BACKGROUND.

8 A. The position of President and Chief Executive Officer is the  
9 highest ranking employee of the Electric Power Board, and I  
10 report directly to a Board of Directors appointed in  
11 accordance with the Electric Power Board's Private Act  
12 Enabling Legislation. On October 1, 1996, I became General  
13 Manager of the Electric Power Board and shortly thereafter,  
14 the Board of the Electric Power Board changed my title to  
15 President and Chief Executive Officer, in keeping with similar  
16 leadership positions in the business community. I am an  
17 electrical engineer, and I began my career with the Electric  
18 Power Board in 1971 as Junior Engineer. I worked in the  
19 Electric Power Board's Engineering Division for 13 years,  
20 advancing in 1977 to Superintendent of the Underground  
21 Engineering Department. In 1984, I was promoted to Manager of  
22 the General Services Division, and in 1986, I became Manager  
23 of the Operating Division, a position which I held until May  
24 20, 1996, when I was appointed Assistant General Manager. I  
25 received my Bachelor of Science in Electrical Engineering from  
26 Tennessee Technological University in Cookeville, Tennessee,  
27 and I later received my Masters Degree in Business

Administration from the University of Tennessee at Chattanooga.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE TENNESSEE REGULATORY AUTHORITY?

A. No. This is my first opportunity to testify before the Tennessee Regulatory Authority.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to furnish the Tennessee Regulatory Authority with testimony in support of the Electric Power Board's Application for a Certificate of Public Convenience and Necessity to Provide Intrastate Telecommunications Services (the "Application"), which was filed on October 21, 1997, and which has been amended by the Restated Application dated September 3, 1998. In my testimony, I will describe the Electric Power Board, demonstrate the Electric Power Board's commitment to adhere to all applicable policies, rules and orders of the Tennessee Regulatory Authority, discuss the financial ability of the Electric Power Board, demonstrate that the Electric Power Board possesses sufficient managerial abilities to provide the applied-for services, and describe the Electric Power Board's small and minority-owned business plan. I have asked the Electric Power Board's Executive Vice President, Ron Fugatt to address the Electric Power Board's technical abilities to provide telecommunications services.



1 Q. PLEASE DESCRIBE THE ELECTRIC POWER BOARD.

2 A. The Electric Power Board is an independent Board of the City  
3 of Chattanooga, Tennessee, a Tennessee municipal corporation.  
4 The Electric Power Board was originally created under Chapter  
5 455 of the Private Acts of the 1935 Tennessee General Assembly  
6 and currently provides retail electric power to both business  
7 and residential customers in the City of Chattanooga, most of  
8 Hamilton County, Tennessee, parts of Bledsoe, Bradley, Marion,  
9 Rhea, and Sequatchie Counties in Tennessee, and parts of  
10 Catoosa, Dade and Walker Counties in Georgia. The Electric  
11 Power Board's principal office is in Chattanooga, Tennessee.  
12

13 Q. PLEASE EXPLAIN WHY YOU DESCRIBE THE ELECTRIC POWER BOARD AS AN  
14 "INDEPENDENT" BOARD OF THE CITY OF CHATTANOOGA.

15 A. The Private Act Enabling Legislation, as amended, created the  
16 Electric Power Board as an operationally-distinct Board of the  
17 City of Chattanooga. The Board of the Electric Power Board is  
18 vested with the "exclusive management and control of the  
19 operation" of the Electric Power Board. The Board of the  
20 Electric Power Board consists of five (5) members whose  
21 replacements are subject to confirmation by the Mayor and City  
22 Council of the City of Chattanooga. The current members of  
23 the Board are: Mr. Jimmie Williams, Chairman; Mr. L. Joe  
24 Ferguson, Vice Chairman; Mr. Lamar J. Partridge; Mr. Jim Lail  
25 and Dr. Linda Fletcher.  
26

1 Q. HOW WILL THE ELECTRIC POWER BOARD'S TELECOMMUNICATIONS  
2 OPERATIONS BE STRUCTURED AND FINANCED?

3 A. The Electric Power Board has created a separate  
4 telecommunications division of the Electric Power Board to  
5 conduct the Electric Power Board's regulated  
6 telecommunications operations. This division will obtain the  
7 initial necessary capital from two sources. First, as  
8 authorized under Tennessee Code Annotated 7-52-402(2), the  
9 Telecommunications Division plans to obtain funds through an  
10 inter-division loan, subject to the approval of the State  
11 Director of Local Finance. The Electric Power Board will also  
12 obtain approval from the Tennessee Valley Authority of this  
13 inter-division loan. On August 28, 1998, the Board of the  
14 Electric Power Board authorized an inter-divisional loan to  
15 the Telecommunications Division of up to ten million dollars.  
16 Second, additional capital may be obtained through contractual  
17 arrangements with third party vendors providing switching and  
18 other equipment needs. The Electric Power Board has entered  
19 into a "Fiber Optics Network Development Agreement" with Globe  
20 Telecommunications, Inc. (the "Globe Agreement"), in which,  
21 among other provisions, Globe Telecommunications, Inc.  
22 ("Globe") agrees to purchase and install the Switch. The  
23 Tennessee Legislature also has authorized the issuance of  
24 revenue bonds, which the Electric Power Board may utilize in  
25 the future after it has developed a track record of earnings.  
26  
27

1 Q. PLEASE DESCRIBE THE TERMS OF THE INTER-DIVISIONAL LOAN TO THE  
2 TELECOMMUNICATIONS DIVISION.

3 A. This loan will be structured to allow the Telecommunications  
4 Division to draw funds on an as-needed basis, up to a maximum  
5 principal amount of ten million dollars. The business plan of  
6 the Telecommunications Division anticipates draws on this loan  
7 during the first three years of operation, with the funds to  
8 be used for capital improvements and to provide the  
9 Telecommunications Division with necessary working capital.  
10 This business plan also projects the repayment of each draw  
11 within five years of the date of the draw. Although the state  
12 law requires the inter-divisional loan to be at a rate of  
13 interest of not less than the highest rate the Electric Power  
14 Board earns on its invested funds, to the extent market  
15 interest is higher, the Telecommunications Division will pay  
16 the electric division market interest.

17  
18 Q. WHAT OTHER PLANS DOES THE ELECTRIC POWER BOARD HAVE THAT BOTH  
19 MEET AND EXCEED THE STATUTORY REQUIREMENTS?

20 A. It is our intent that the Telecommunications Division will pay  
21 its own way. For instance, the statute allows the Electric  
22 Power Board to dedicate a reasonable portion of the electric  
23 plant to the Telecommunications Division with no mention of  
24 payment for those assets. It is our intent that the  
25 Telecommunications Division will pay for the plant dedicated  
26 to it. With regard to assets constructed for joint use such  
27 as the fiber optic route, the Telecommunications Division will

1 pay both the portion the Telecommunication Division will  
2 actually use as well as any excess above the needs of the  
3 Electric System.

4  
5 Also, the state statute requires for regulatory purposes the  
6 allocation of costs of pole attachments. For its pole  
7 attachments, the Telecommunications Division will pay the  
8 electric division at the highest rate paid by an outside party  
9 for comparable pole attachments.

10  
11 Q. DOES THE ELECTRIC POWER BOARD HAVE THE FINANCIAL ABILITY TO  
12 FUND THE CAPITAL REQUIREMENTS FOR THE TELECOMMUNICATIONS  
13 DIVISION?

14 A. Yes. The Electric Power Board has total assets of over  
15 290 million dollars. It has current assets of over 82 million  
16 dollars. The Electric Power Board has no long-term debt. Its  
17 current and accrued liabilities are less than 66 million  
18 dollars. The Electric Power Board's retained earnings are in  
19 excess of 202 million dollars.

20  
21 Q. WHAT IS THE ELECTRIC POWER BOARD'S FISCAL YEAR?

22 A. The Electric Power Board's fiscal year ends June 30.

23  
24 Q. WHAT HAVE BEEN THE MOST RECENT RESULTS OF THE ELECTRIC POWER  
25 BOARD'S OPERATIONS?

26 A. The Electric Power Board continues to do well. A copy of the  
27 Electric Power Board's balance sheet as of June 30, 1998, and

1 its income and expense statement for the year ending June 30,  
2 1998, are attached as Exhibit HED-1 to this testimony. The  
3 unaudited net revenues for the fiscal year ending June 30,  
4 1998, total approximately 14.4 million dollars.

5  
6 Q. HOW WILL THE ELECTRIC POWER BOARD SEPARATELY ACCOUNT FOR THE  
7 TELECOMMUNICATIONS DIVISION?

8 A. The Electric Power Board takes considerable pride in its  
9 accounting system and its Accounting Division is prepared to  
10 perform the accounting functions for the Telecommunications  
11 Division. Ms. Rose Baxter, the Electric Power Board's Vice  
12 President in charge of the Accounting Division, will file  
13 testimony with information regarding the Electric Power  
14 Board's accounting procedures for the Telecommunications  
15 Division.

16  
17 Q. WILL THE ELECTRIC POWER BOARD ADHERE TO ALL APPLICABLE  
18 POLICIES, RULES AND ORDERS OF THE TENNESSEE REGULATORY  
19 AUTHORITY?

20 A. Yes. The Electric Power Board has reviewed the current rules  
21 of the Tennessee Regulatory Authority and stands ready to  
22 comply with them. The Electric Power Board also stands ready  
23 to adhere to any applicable policies and orders approved by  
24 the Tennessee Regulatory Authority.

1 Q. DOES THE TENNESSEE REGULATORY AUTHORITY NEED TO ADOPT ANY  
2 SPECIAL RULES OR REGULATIONS BEFORE GRANTING THE ELECTRIC  
3 POWER BOARD A CERTIFICATE OF CONVENIENCE AND NECESSITY?

4 A. No. Tennessee Code Annotated Section 7-52-401, enacted as  
5 part of Chapter 531 of the Public Acts of 1997, subjects  
6 municipal electric systems providing telecommunications to the  
7 regulatory oversight of the Tennessee Regulatory Authority "in  
8 the same manner and to the same extent as other certificated  
9 providers of telecommunications services . . . ." The  
10 Electric Power Board respectfully submits that Chapter 531 did  
11 not create any additional requirements for the Electric Power  
12 Board's certification as a competitive local exchange carrier  
13 and submits that the requirements of Tennessee Code Annotated  
14 Section 65-4-201(c) apply to the Electric Power Board "in the  
15 same manner and to the same extent" as those requirements  
16 apply to other certificated providers.

17  
18 Q. PLEASE DESCRIBE THE ELECTRIC POWER BOARD'S MANAGERIAL  
19 ABILITIES TO PROVIDE THE APPLIED-FOR SERVICES.

20 A. The Electric Power Board possesses sufficient managerial  
21 abilities to provide the applied-for services. The Electric  
22 Power Board has an excellent senior management team, backed by  
23 experienced employees, who are competent in engineering,  
24 operations, customer service and marketing. A listing of the  
25 Electric Power Board's senior management team is attached as  
26 Exhibit A to the Restated Application. I have also attached

1 as Exhibit HED-2 to my testimony an organizational chart of  
2 the Electric Power Board.

3  
4 The Electric Power Board has served the public for nearly 60  
5 years in a facilities-based utility business and is qualified  
6 to manage a facilities-based telecommunications operation as  
7 well. The Electric Power Board is the 15th largest municipal  
8 electric utility in the nation as measured by the number of  
9 customers served. At the end of the 1997-98 fiscal year, the  
10 Electric Power Board served 152,467 customers who consumed  
11 almost 5.8 billion kilowatt-hours of electricity. The sales  
12 resulted in \$326,170,000 of billed electric sales revenues  
13 from customers in the Electric Power Board's 600 square mile  
14 service area. These and the continued good financial results  
15 demonstrate that the Electric Power Board's senior management  
16 team has substantial managerial experience in areas of utility  
17 engineering, utility operations, utility customer service, and  
18 utility marketing.

19  
20 Q. WHAT ADDITIONAL MANAGERS WILL BE HIRED FOR THE TELECOMMUNICA-  
21 TIONS DIVISION?

22 A. We will hire managers with telecommunication experience to  
23 fill the positions of Division Vice President, Marketing  
24 Manager and Operations Manager.

25  
26 Q. HAS THE ELECTRIC POWER BOARD ENTERED INTO ANY CONTRACTS WITH  
27 THIRD PARTIES TO SUPPLEMENT ITS EXISTING MANAGERIAL ABILITIES?

1 A. Yes. The Electric Power Board has contracted with two  
2 different parties to supplement its existing managerial  
3 abilities. Those parties are Competitive Communications  
4 Group, LLC and Globe Telecommunications, Inc.

5  
6 Q. PLEASE DESCRIBE THE ELECTRIC POWER BOARD'S CONTRACT WITH  
7 COMPETITIVE COMMUNICATIONS GROUP, LLC.

8 A. To supplement the Electric Power Board's existing managerial  
9 abilities, the Electric Power Board has retained the services  
10 of Competitive Communications Group, LLC, a telecommunications  
11 consulting group comprised primarily of consultants formerly  
12 associated with John Starulakis, Inc., to provide necessary  
13 support to the Electric Power Board in telecommunications-  
14 specific managerial matters.

15  
16 Under the terms of its agreement with the Electric Power  
17 Board, Competitive Communications Group makes available its  
18 expertise to the Electric Power Board on an as-needed basis in  
19 the following areas: competitive local exchange carrier  
20 evaluation and implementation, marketing plans and  
21 implementation, incremental costing and pricing analysis,  
22 employee training programs, regulatory support services, and  
23 the development of telecommunications opportunities. We have  
24 utilized the services of Competitive Communications Group for  
25 the following matters: consulting in the development of a  
26 request for proposals relating to switching, billing, and  
27 customer support; identifying specific billing and customer



1 service requirements; consulting with the Electric Power Board  
2 legal counsel in connection with this proceeding and in  
3 connection with the negotiation of the agreement with Globe  
4 Telecommunications, Inc., described below; consulting in  
5 preparation for the negotiation of an interconnection  
6 agreement with BellSouth Telecommunications; and consulting in  
7 the development of a business planning model and the  
8 development of related business plan implementation strategy.

9  
10 The Electric Power Board plans to continue to utilize  
11 Competitive Communications Group to assist the Electric Power  
12 Board in the monitoring and further development of its  
13 business plans and feasibility studies and in complying with  
14 regulatory requirements of the Tennessee Regulatory Authority,  
15 including the preparation of the Electric Power Board's  
16 tariffs.

17  
18 I have asked Doug Dawson, one of the principals of Competitive  
19 Communications Group, LLC, to file Direct Testimony to furnish  
20 the Authority with additional information concerning his firm  
21 and the assistance it will render to the Electric Power Board.

22  
23 Q. PLEASE DESCRIBE THE ELECTRIC POWER BOARD'S CONTRACT WITH GLOBE  
24 TELECOMMUNICATIONS, INC.

25 A. To further supplement its existing managerial abilities, the  
26 Electric Power Board has requested proposals from qualified  
27 telecommunications providers to assist the Electric Power

1 Board in the purchase and/or lease of telephone digital  
2 switching capacity by the Electric Power Board, the provision  
3 of necessary personnel and training required to supply the  
4 Electric Power Board with telephone billing services, and  
5 customer service capability for telecommunications services  
6 and to assist the Electric Power Board in the additional  
7 development of the Electric Power Board's fiber optic network  
8 and related electronics as part of a distribution/transport  
9 system for the Telecommunications Division.

10  
11 As a result of a RFP process, the Electric Power Board and  
12 Globe Telecommunications have signed a long-term contract in  
13 which Globe Communications commits to provide such service to  
14 the Electric Power Board. This contract is a ten year  
15 contract, terminable only for cause or upon exercise of an  
16 early termination buy-out option at the end of seven years.  
17 I have asked Mr. Robert Nyswaner, Chief Financial Officer of  
18 Globe Telecommunications, Inc., to file testimony to furnish  
19 the Authority with information about Globe's responsibilities  
20 under the terms of the agreement and to also address Globe's  
21 managerial expertise that will augment the existing abilities  
22 of the Electric Power Board.

23  
24 Q. WILL COMPETITIVE COMMUNICATIONS GROUP AND GLOBE  
25 TELECOMMUNICATIONS ALSO SUPPLEMENT THE ELECTRIC POWER BOARD'S  
26 EXISTING TECHNICAL ABILITIES?

1 A. Yes. The Electric Power Board's relationships with  
2 Competitive Communications Group and with Globe  
3 Telecommunications will supplement the existing technical  
4 abilities of the Electric Power Board.

5  
6 Q. HAS THE ELECTRIC POWER BOARD ADOPTED A SMALL AND MINORITY-  
7 OWNED BUSINESS PLAN?

8 A. Yes. On August 28, 1998, the Board of the Electric Power  
9 Board adopted the small and minority-owned business plan that  
10 is attached as Exhibit F to the Restated Application.  
11 Although the Telecommunications Division of the Electric Power  
12 Board will focus on assisting small and minority-owned  
13 telecommunications firms for the purpose of complying with  
14 Tennessee Code Annotated § 65-5-212, the Electric Power Board  
15 has adopted the policy without any limitation, applicable to  
16 all the operations of the Board and applicable to all small  
17 and minority-owned businesses.

18  
19 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

20 A. The Electric Power Board is committed to adhere to all  
21 applicable policies, rules, and orders of the Tennessee  
22 Regulatory Authority, the Electric Power Board has sufficient  
23 financial, managerial and technical abilities to provide the  
24 applied-for services augmented by a long-term contract with  
25 Globe Telecommunications with roots in the telephone business  
26 dating back over 100 years, and by the services of CCG, a  
27 consulting firm established to assist new entrants into the

1 CLEC marketplace. The Electric Power Board has adopted a  
2 small and minority-owned business participation plan. Should  
3 this Authority allow the Electric Power Board entry into the  
4 telecommunications market, our goal will be to provide our  
5 communication customers with a greater choice of services,  
6 reduced rates, and improved levels of service.

7  
8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes.

# **EXHIBIT HED-1**

**ELECTRIC POWER BOARD OF CHATTANOOGA  
BALANCE SHEET  
JUNE 30, 1998**

Page A - 2

<u>ASSETS AND OTHER DEBITS</u>	<u>THIS YEAR</u>	<u>LAST YEAR</u>
<u><b>ELECTRIC PLANT</b></u>		
Electric Plant in Service	\$ 302,384,540.28	\$ 290,132,686.29
Construction Work in Progress	11,178,788.52	7,369,412.80
Total Electric Plant	\$ 313,563,328.80	\$ 297,502,099.09
Provision for Depreciation	(125,933,663.00)	(118,266,183.59)
Net Electric Plant	\$ 187,629,665.80	\$ 179,235,915.50
<u><b>SEGREGATED FUNDS</b></u>		
Renewal and Replacement Fund	\$ 10,043,472.89	\$ 3,993,198.65
Contingency Fund	2,250,000.00	2,250,000.00
Total Segregated Funds	\$ 12,293,472.89	\$ 6,243,198.65
<u><b>CURRENT AND ACCRUED ASSETS</b></u>		
Electric Fund - Cash and Investments	\$ 40,874,381.24	\$ 16,380,210.13
Petty Cash Funds	76,400.00	75,800.00
Accounts Receivable - Electric Service	13,714,057.48	11,289,333.74
Provision for Uncollectible Accounts	(391,734.28)	(441,930.62)
Accounts Receivable - Merchandise	676.71	2,463.32
Accounts Receivable - Conservation Programs	633,175.09	1,453,061.51
Accounts Receivable - Miscellaneous	686,360.51	1,276,013.18
Provision for Uncollectible Accounts	(4,996.34)	(3,477.18)
Unbilled Electric Sales	21,030,768.00	14,314,673.00
Material and Supplies	4,178,386.96	3,811,461.53
Merchandise	-	5,828.73
Prepayments	915,497.18	3,068,421.09
Interest Receivable	165,957.60	120,569.12
Rents Receivable	422,454.91	773,356.23
Total Current and Accrued Assets	\$ 82,301,385.06	\$ 52,125,783.78
<u><b>DEFERRED DEBITS</b></u>		
Clearing Accounts	\$ 3,541.51	\$ 4,643.60
TVA Conservation Program Loans	7,735,196.46	9,768,239.53
Other Deferred Debits	216,195.49	174,780.56
Total Deferred Debits	\$ 7,954,933.46	\$ 9,947,663.69
 TOTAL ASSETS AND OTHER DEBITS	 \$ 290,179,457.21	 \$ 247,552,561.62

**ELECTRIC POWER BOARD OF CHATTANOOGA  
BALANCE SHEET  
JUNE 30, 1998**

Page A - 3

<u>LIABILITIES AND OTHER CREDITS</u>	<u>THIS YEAR</u>	<u>LAST YEAR</u>
<u><b>CAPITALIZATION</b></u>		
Accumulated Net Income Invested in Electric Plant and Utilized for Bond Retirements and Working Capital	<u>\$ 202,338,921.55</u>	<u>\$ 187,894,897.01</u>
<u><b>NONCURRENT LIABILITIES</b></u>		
Accumulated Provision for Postretirement Benefits	<u>\$ 11,120,725.59</u>	<u>\$ 11,133,871.68</u>
Advances for TVA Conservation Programs	<u>8,575,565.17</u>	<u>11,410,151.83</u>
Total Other Noncurrent Liabilities	<u>\$ 19,696,290.76</u>	<u>\$ 22,544,023.51</u>
<u><b>CURRENT AND ACCRUED LIABILITIES</b></u>		
Accounts Payable - TVA - Purchased Power	<u>\$ 46,725,665.14</u>	<u>\$ 17,272,446.95</u>
Accounts Payable - Vouchers	<u>1,026,721.18</u>	<u>517,965.88</u>
Accounts Payable - Other	<u>1,185,456.80</u>	<u>1,131,259.61</u>
Customer Deposits	<u>6,570,246.00</u>	<u>6,177,195.00</u>
Interest Accrued on Customer Deposits	<u>1,605,979.18</u>	<u>1,516,302.24</u>
Accrued Taxes and Tax Equivalents	<u>6,521,634.58</u>	<u>6,545,594.71</u>
Accrued Vacation	<u>1,168,602.44</u>	<u>1,002,928.91</u>
Other Current and Accrued Liabilities	<u>940,318.37</u>	<u>821,762.37</u>
Total Current and Accrued Liabilities	<u>\$ 65,744,623.69</u>	<u>\$ 34,985,455.67</u>
<u><b>DEFERRED CREDITS</b></u>		
Sick Leave Compensation	<u>\$ 1,768,328.57</u>	<u>\$ 1,763,339.33</u>
Supplemental Pension Benefits	<u>108,380.96</u>	<u>8,638.37</u>
Other Deferred Credits	<u>522,911.68</u>	<u>356,207.73</u>
Total Deferred Credits	<u>\$ 2,399,621.21</u>	<u>\$ 2,128,185.43</u>
 <b>TOTAL LIABILITIES AND OTHER CREDITS</b>	 <u><u>\$ 290,179,457.21</u></u>	 <u><u>\$ 247,552,561.62</u></u>

**ELECTRIC POWER BOARD OF CHATTANOOGA  
INCOME AND EXPENSE STATEMENT  
JUNE 1998**

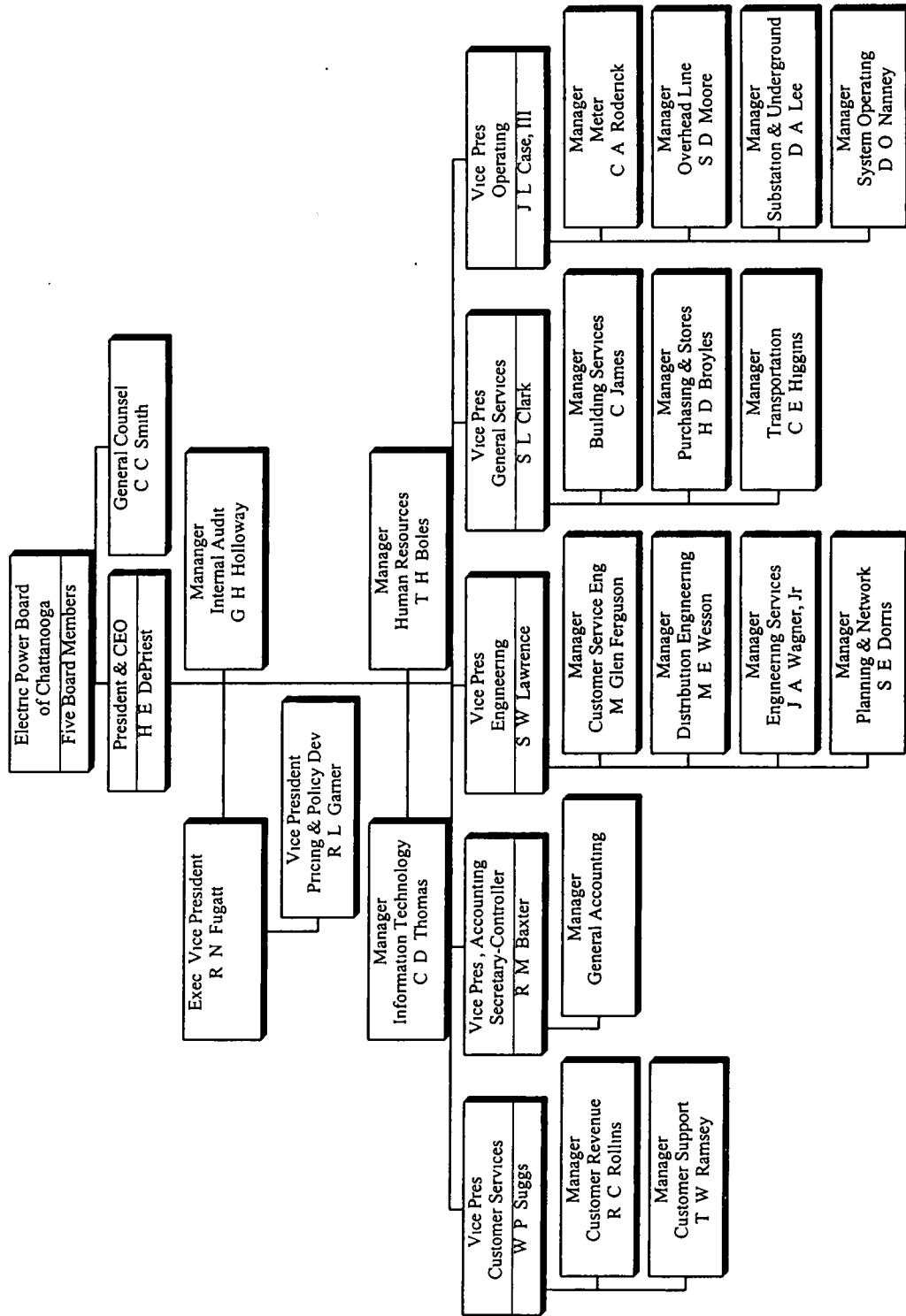
Page A - 4

	CURRENT MONTH	FISCAL YEAR TO DATE	
		THIS YEAR	LAST YEAR
<b><u>OPERATING REVENUE</u></b>			
<b><u>Electric Sales</u></b>			
Residential	\$ 10,843,609.04	\$ 130,625,946.26	\$ 115,738,060.07
Small Commercial and Power	2,240,134.74	24,113,417.30	21,687,767.94
Large Commercial and Power	14,296,986.02	159,997,801.27	146,806,500.28
Outdoor Lighting	403,471.41	4,716,885.60	4,441,373.76
Total Billed Electric Sales	\$ 27,784,201.21	\$ 319,454,050.43	\$ 288,673,702.05
Change in Unbilled Electric Sales	3,803,436.00	6,716,095.00	(2,588,593.00)
Total Electric Sales	\$ 31,587,637.21	\$ 326,170,145.43	\$ 286,085,109.05
<b><u>Other Electric Revenue</u></b>			
Payments in Excess of Net Rates	\$ 139,171.15	\$ 2,116,802.05	\$ 2,024,348.73
Miscellaneous Service Revenue	60,428.51	741,809.19	711,246.71
Rent from Electric Property	129,884.69	1,530,040.72	1,493,697.47
Miscellaneous Electric Revenue	677.93	9,322.15	10,160.16
Total Other Electric Revenue	\$ 330,162.28	\$ 4,397,974.11	\$ 4,239,453.07
Total Operating Revenue	\$ 31,917,799.49	\$ 330,568,119.54	\$ 290,324,562.12
<b><u>OPERATING EXPENSES</u></b>			
Purchased Power	\$ 25,335,331.81	\$ 262,398,841.69	\$ 234,444,056.91
Transmission	\$ 104,252.14	\$ 1,074,698.37	\$ 1,055,184.28
Distribution	1,678,481.50	17,762,017.61	16,404,814.19
Customer Accounts	652,311.78	6,204,015.09	5,402,454.27
Customer Assistance	65,116.78	974,590.38	1,510,490.47
Marketing	88,238.36	752,891.29	699,045.08
Administrative and General	919,353.72	10,753,812.25	10,444,608.36
Operating Exp. Excl. Purchased Power	\$ 3,507,754.28	\$ 37,522,024.99	\$ 35,516,596.65
Operating Exp. Incl. Purchased Power	\$ 28,843,086.09	\$ 299,920,866.68	\$ 269,960,653.56
Depreciation	862,704.53	10,082,506.81	9,732,016.24
Property Tax Equivalents	546,412.53	6,551,260.51	6,585,337.02
Social Security and Other Taxes	102,530.26	1,312,189.39	1,252,075.84
Total Operating Expenses	\$ 30,354,733.41	\$ 317,866,823.39	\$ 287,530,082.66
Operating Income	\$ 1,563,066.08	\$ 12,701,296.15	\$ 2,794,479.46
<b><u>OTHER INCOME</u></b>			
Interest Income on Invested Funds	\$ 187,493.64	\$ 2,044,846.83	\$ 1,701,759.78
Other	2,074.05	9,697.56	3,937.46
Total Other Income	\$ 189,567.69	\$ 2,054,544.39	\$ 1,705,697.24
<b><u>OTHER DEDUCTIONS</u></b>			
Interest Expense	\$ 25,979.25	\$ 311,816.00	\$ 294,422.62
Other	-	-	-
Total Other Deductions	\$ 25,979.25	\$ 311,816.00	\$ 294,422.62
Net Income	\$ 1,726,654.52	\$ 14,444,024.54	\$ 4,205,754.08



## **EXHIBIT HED-2**

# ELECTRIC POWER BOARD OF CHATTANOOGA



AFFIDAVIT

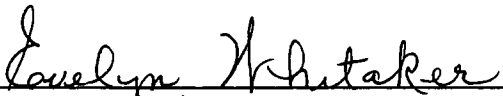
STATE OF TENNESSEE:  
COUNTY OF HAMILTON:

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Harold E. DePriest, President and CEO of the Electric Power Board of Chattanooga, who being by me first duly sworn, deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 97-07488 on behalf of the Electric Power Board of Chattanooga and, if present before the Authority and duly sworn, his testimony would be as set forth in the annexed testimony consisting of 14 pages and 2 exhibits.

  
HAROLD E. DePRIEST

Sworn to and subscribed before me this 3<sup>rd</sup> day of  
September, 1998.

  
Notary Public

My commission expires: 3/8/99

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing pleading on behalf of the Electric Power Board of Chattanooga, via United States mail, first class postage prepared and properly addressed to the following:

Dennis P. McNamee, Esquire  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Guy M. Hicks, General Counsel  
BellSouth Communications, Inc.  
333 Commerce Street  
Suite 2101  
Nashville, Tennessee 37201-3300

Val Sanford, Esquire  
Gullett, Sanford, Robinson & Martin  
P.O. Box 198888  
Nashville, Tennessee 37219-8888

James P. Lamoureux, Esquire  
AT&T Communications of the South Central States, Inc.  
1200 Peachtree Street N.E.  
Room 4060  
Atlanta, Georgia 30309

Charles B. Welch, Jr., Esquire  
Farris, Mathews, Gilman, Branan & Hellen, P.L.C.  
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Nashville, Tennessee 37219

Vance L. Broemel, Esquire  
Assistant Attorney General  
Consumer Advocate Division  
Cordell Hull Building  
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Henry Walker, Esquire  
Attorney for ACSI & NextLink  
Boult, Cummings, Conners & Berry  
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Nashville, Tennessee 37219

Dana Shaffer, Esquire  
NextLink Tennessee, LLC  
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Nashville, Tennessee 37201

Jon E. Hastings, Esquire  
Boult, Cummings, Conners & Berry  
P. O. Box 198062  
Nashville, Tennessee 37219

Michael R. Knauff  
Tennessee Power Company  
4612 Maria Street  
Chattanooga, Tennessee 37411

This 4<sup>th</sup> day of September, 1998.

  
Strang, Fletcher, Carriger, Walker  
Hodge & Smith, PLLC

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IN RE:

APPLICATION OF ELECTRIC	)	
POWER BOARD OF CHATTANOOGA	)	
FOR A CERTIFICATE OF PUBLIC	)	Docket No. 97-07488
CONVENIENCE AND NECESSITY	)	
TO PROVIDE INTRASTATE	)	
TELECOMMUNICATIONS SERVICES	)	

REVISED DIRECT TESTIMONY OF ROSE M. BAXTER,  
VICE PRESIDENT OF ACCOUNTING  
OF  
THE ELECTRIC POWER BOARD OF CHATTANOOGA

FILED ON BEHALF OF  
THE ELECTRIC POWER BOARD OF CHATTANOOGA

September 3, 1998

1 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

2 A. My name is Rose M. Baxter, and I am a Vice President of the  
3 Electric Power Board of Chattanooga ("Electric Power Board").  
4 My business address is P.O. Box 182255, Chattanooga, Tennessee  
5 37422-7255.  
6

7 Q. PLEASE DESCRIBE YOUR POSITION AND BACKGROUND.

8 A. I am in charge of the Accounting Division of the Electric  
9 Power Board with principal responsibility for the accounting  
10 and financial reporting functions. In addition, I serve as  
11 Secretary to the Board. I graduated from the University of  
12 Chattanooga (which is now the University of Tennessee at  
13 Chattanooga) with a Bachelor of Science Degree in Business  
14 Administration. I am a licensed Certified Public Accountant  
15 obtaining my Tennessee certificate in 1971. In 1972 I was  
16 hired as an accountant in the Accounting Division of the  
17 Electric Power Board. The name of the Division has been  
18 changed over the years from Accounting to Finance and then  
19 back to Accounting. In 1993 I was promoted to Manager of the  
20 Division. My title was changed to Vice President in 1996.  
21

22 Q. WHAT WILL BE YOUR RESPONSIBILITY FOR THE ACCOUNTING FOR THE  
23 TELECOMMUNICATIONS DIVISION?

24 A. It will be my primary responsibility to establish the chart of  
25 accounts and accounting functions for the Telecommunications  
26 Division and to implement the accounting system.  
27

1 Q. WHAT STEPS HAVE YOU TAKEN SO FAR TO ESTABLISH SYSTEMS FOR THE  
2 TELECOMMUNICATIONS DIVISION?

3 A. I, along with other staff members, have met with Doug Dawson,  
4 a CPA with Competitive Communications Group, L.L.C., to  
5 discuss procedures that will allow the telecommunications  
6 accounting transactions to be separated from the electric  
7 system accounting transactions. Through these procedures  
8 telecommunications expenses will be accounted for separately  
9 from electric system expenses even though the same resources  
10 will be used by both. We have developed a chart of accounts  
11 for the telecommunications accounting. A copy is attached as  
12 Exhibit RMB-1 to this Testimony. This chart of accounts uses  
13 the Federal Communications Commission's account numbers  
14 defined in the Uniform System of Accounts for  
15 Telecommunications Companies which is found in Title 47,  
16 Part 32 of the Code of Federal Regulations. The chart of  
17 accounts has been entered into the Electric Power Board's GEAC  
18 general ledger system.

19  
20 Q. WHAT IS THE GEAC SYSTEM?

21 A. The GEAC system is a mainframe software package that the  
22 Electric Power Board uses for the accumulation and reporting  
23 of its accounting data. Originally purchased from Management  
24 Science America (MSA) in 1974, the GEAC package is highly  
25 flexible and provides for the establishment of multiple  
26 accounting entities called "companies." Each company within  
27 the GEAC system represents a separate set of books comprised



1 of cost centers, account classes, account groups within  
2 classes, and account numbers that can be up to 18 digits in  
3 length. Using the GEAC features, the accounting system for  
4 the Electric Power Board's Telecommunications Division has  
5 been set up in a separately defined company with its own cost  
6 centers and chart of accounts for data accumulation and  
7 reporting. This chart of accounts is comprised of the FCC  
8 account numbers that have been established for the Electric  
9 Power Board's telecommunications activities.

10  
11 Q. HOW WILL THE ELECTRIC POWER BOARD SEPARATELY ACCOUNT FOR THE  
12 TELECOMMUNICATIONS TRANSACTIONS?

13 A. Although the telecommunications accounting transactions will  
14 originate in the Electric Power Board's electric accounting  
15 system, they will be uniquely identified through pre-defined  
16 account number ranges or through association with a cost  
17 center assigned to accumulate telecommunication accounting  
18 activity. At month-end, the transactions will be summarized  
19 and transferred to the appropriate FCC account numbers  
20 residing in the telecommunication company segment of the  
21 general ledger system. From the account balances within this  
22 segment, the telecommunication accounting records will be  
23 available for reporting and historical analysis. A balance  
24 sheet, income statement and statement of cash flows will be  
25 prepared each month from this data.  
26

1 Q. WHAT HAS BEEN THE ELECTRIC POWER BOARD'S EXPERIENCE IN COST  
2 ACCOUNTING?

3 A. The Electric Power Board has been capturing expenses by cost  
4 centers for 23 years and has accumulated allocable costs in  
5 clearing accounts since its inception in 1939. Electric  
6 system expenses such as those for the operation and  
7 maintenance of vehicles, buildings, computers and information  
8 systems, and inventory storerooms are originally accounted for  
9 in clearing accounts and then transferred to appropriate  
10 Federal Energy Regulatory Commission accounts based upon an  
11 appropriate method of allocation. At all points within the  
12 data flow, expenses are associated with cost centers for  
13 management control and budgeting purposes. The numbers  
14 currently assigned to accounts, cost centers and work orders  
15 are structured to permit both detailed tracking of revenues  
16 and expenses and automated summarizations through roll-up  
17 processes. These techniques and others that are used for  
18 identifying and categorizing electric system transactions are  
19 being expanded to include telecommunications accounting  
20 activities.

21  
22 Q. WHAT PROGRAMMING CHANGES WILL HAVE BEEN MADE TO THE GEAC  
23 SYSTEM?

24 A. The GEAC general ledger system provides a framework for adding  
25 new account numbers and groupings within a separate company  
26 segment of the system. The necessary programming changes have  
27 been made, and the new telecommunications division has been

1 set up and the unique structure of account classes and groups,  
2 the FCC account numbers and cost centers are ready.

3  
4 Q. HOW WILL TELECOMMUNICATION CONSTRUCTION WORK ORDERS BE  
5 IDENTIFIED?

6 A. Telecommunications work orders will be identified by a unique  
7 suffix within a specific range of numbers. These numeric  
8 suffixes have been established.

9  
10 Q. HOW WILL THE PAYROLL INFORMATION BE HANDLED?

11 A. Telecommunication labor expenses will be accumulated in  
12 accounts within a unique range of numbers in the electric  
13 accounting system. At month-end these accounts will be zeroed  
14 by transferring their balances to the appropriate FCC accounts  
15 in the set of books for the telecommunications company. These  
16 numbers have been defined.

17  
18 Q. HOW WILL MONTHLY AND FISCAL YEAR REPORTS BE GENERATED FOR THE  
19 TELECOMMUNICATIONS DIVISION?

20 A. The same methods currently used to produce electric system  
21 transaction listings, trial balances, and other accounting  
22 reports from the data in the GEAC general ledger will be used  
23 for telecommunications reporting. The existing reports will  
24 be modified to be printed for data residing in the new general  
25 ledger company for telecommunications.

1 Q. ARE THE ACCOUNTING PROCEDURES IN PLACE FOR THE  
2 TELECOMMUNICATIONS DIVISION?

3 A. Yes.  
4

5 Q. WHAT EFFORTS HAS THE ELECTRIC POWER BOARD MADE TO DEVELOP  
6 METHODS TO SEPARATE TELEPHONE FROM ELECTRIC ACCOUNTING DATA  
7 AND TO PROTECT AGAINST CROSS-SUBSIDIZATION?

8 A. The Electric Power Board, with assistance from Doug Dawson of  
9 Competitive Communications Group, has prepared a detailed set  
10 of accounting methods and plans on how the Electric Power  
11 Board intends to operate to ensure that there is appropriate  
12 cost allocation and to prevent cross-subsidization. Attached  
13 to my testimony as RMB-2 is a draft of the Electric Power  
14 Board's plans and accounting methods, which show in detail the  
15 accounting safeguards that will prevent cross-subsidization of  
16 the Telecommunications Division by electric revenues.

17 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

18 A. Yes.

19 77731.03  
20

# **EXHIBIT RMB-1**



**REPORT FOR - GEN. ACCT.**

**REPORT NAME - CHART OF ACCOUNTS**

**JOB NAME - CHACJCL/MSAIERPT**

**DEPT. - FINANCE**

REPORT PRODUCED BY DATA PROCESSING

## ACCOUNT DESCRIPTION

\*\*\* CENTER -

## 921 - TELECOMMUNICATIONS

1130010 - CASH-GENERAL FUND  
1160010 - TEMPORARY CASH INVENTMENT  
1180010 - CUSTOMER ACCT. RECEIVABLE  
1181010 - PROV. FOR UNCOLL. ACCT'S.  
1190010 - OTHER A/R-GENERAL  
1190020 - OTHER A/R-EPB  
1190030 - OTHER A/R-BELLSOUTH  
1190040 - OTHER A/R-GLOBE  
1190050 - OTHER A/R-IXC CABS BILLIN  
1210010 - INTEREST REC.-INVESTMENTS  
1220010 - STOREROOM MATERIAL  
1290010 - PREPAY-RENTS-POLE ATTACH.  
1290020 - PREPAY-RENTS-OTHER  
1310010 - PREPAY-INSURANCE  
1310020 - PREPAY-RETIREMENT PLAN  
1330010 - PREPAY-OTHER  
1439010 - DEFERRED CHARGES  
2003010 - CONSTR. WORK IN PROGRESS  
2111010 - LAND  
2112010 - MOTOR VEHICLES  
2115010 - GARAGE WORK EQUIPMENT  
2116010 - OTHER WORK EQUIPMENT  
2116020 - COE PORTABLE TEST EQPT.  
2121010 - BUILDINGS-CO SWITCHING  
2121020 - BUILDINGS-ACCESS NODES  
2122010 - OFF. FURNITURE & FIXTURES  
2123010 - OFFICE EQUIPMENT  
2123020 - COMPANY TELEPHONE SYSTEM  
2124010 - COMPUTER MAINTENANCE  
2124020 - PERSONAL COMPUTERS  
2212010 - CENTRAL OFFICE SWITCH  
2321010 - CUST. PREMISES EQUIPMENT  
2411010 - POLES  
2421010 - AERIAL CABLE-COPPER  
2421020 - AERIAL CABLE-FIBER  
2422010 - UG CABLE-COPPER  
2422020 - UG CABLE-FIBER  
2423010 - BURIED CABLE-COPPER  
2423020 - BURIED CABLE-FIBER  
2441010 - CONDUIT  
2690010 - ORGANIZATION  
3100010 - ACCUM.DEPR-MOTOR VEHICLES  
3100110 - ACCUM.DEPR-GARAGE WK.EQPT  
3100120 - ACCUM.DEPR-OTHER WK. EQPT  
3100130 - ACCUM.DEPR-COE P/TEST EQP  
3100210 - ACCUM.DEPR-BLDG-CO SWITCH  
3100220 - ACCUM.DEPR-BLDG-ACC.NODES  
3100310 - ACCUM.DEPR-OFF.FURN.&FIX.  
3100320 - ACCUM.DEPR-OFFICE EQUIPT.  
3100330 - ACCUM.DEPR-CO.TELE.SYSTEM  
3100340 - ACCUM.DEPR-COMPUTER-MAIN.

## ACCOUNT DESCRIPTION

\*\*\* CENTER -

## 921 - TELECOMMUNICATIONS

3100350 - ACCUM.DEPR-COMPUTER-PC  
3100410 - ACCUM.DEPR-CEN.OFF.SWITCH  
3100460 - ACCUM.DEPR-CUS.PREM.EQPT.  
3100510 - ACCUM.DEPR-POLES  
3100520 - ACCUM.DEPR-AERIAL CAB-COP  
3100530 - ACCUM.DEPR-AERIAL CAB-FIB  
3100540 - ACCUM.DEPR-UG CABLE-COPPE  
3100550 - ACCUM.DEPR-UG CABLE-FIBER  
3100560 - ACCUM.DEPR-BUR.CAB-COPPER  
3100570 - ACCUM.DEPR-BUR.CAB-FIBER  
3100710 - ACCUM.DEPR-CONDUIT  
3500010 - ACCUM.AMORT.-ORGANIZATION  
4010010 - A/P-GENERAL  
4010020 - A/P-EPB  
4010030 - A/P-GLOBE  
4010040 - A/P-BELLSOUTH  
4010050 - A/P-TOLL PROVIDERS  
4010110 - A/P-FEDERAL EXCISE TAX  
4010120 - A/P-SALES TAX  
4010210 - A/P-911 TAX  
4010220 - A/P-TRS TAX  
4020010 - N/P-EPB-CURRENT  
4030010 - ADVANCE BILLING  
4030020 - CUSTOMER REFUNDS  
4040010 - CUSTOMER DEPOSITS  
4080010 - FEDERAL INCOME TAX W/HELD  
4080110 - SOC.SEC/MED.TAX.-EMPLOYEE  
4080120 - SOC.SEC/MED.TAX.-EMPLOYER  
4080150 - UNEMPLOYMENT COMPENSATION  
4080210 - TAXES ACCR./PROPERTY-TN  
4080220 - TAXES ACCR./PROPERTY-GA  
4080230 - STORMWATER FEES  
4120010 - WAGES PAYABLE  
4120020 - INTEREST ACCRD.-CUST.DEP.  
4120030 - INTEREST ACCRD.-NOTES PAY  
4120110 - ACCRUED SICK LEAVE  
4120120 - ACCRUED VACATION  
4130010 - OTHER CURRENT LIABILITIES  
4210010 - NOTES PAYABLE-EPB  
4360010 - UNCLAIMED PROPERTY  
4360020 - SICK LEAVE COMPENSATION  
4550010 - ACCUMULATED NET INCOME  
4551010 - REV. & EXPENSES OFFSET  
5001010 - LOCAL REV-RESIDENTIAL  
5001020 - LOCAL REV-BUSINESS  
5001030 - LOCAL REV-PBX TRUNKS  
5001040 - LOCAL REV-CENTREX LINES  
5001050 - LOCAL REV-PAYSTATION LINE  
5001060 - RESOLD RESIDENTIAL  
5001070 - RESOLD BUSINESS  
5002010 - OPTIONAL EXT.AREA SER.REV



## ACCOUNT DESCRIPTION

\*\*\* CENTER -

## 921 - TELECOMMUNICATIONS

5002020 - EXTENDED CALLING PLANS  
5040010 - LOCAL REV-VOICE GRD. DATA  
5040020 - LOCAL REV-DATA LINES  
5040030 - LOCAL REV-T1/DS3  
5040040 - LOCAL REV-ADSL  
5040050 - LOCAL REV-DATA CONTRACT  
5040060 - LOCAL REV-DARK FIBER  
5040070 - LOCAL REV-W/SALE TRANSP.  
5040080 - RESOLD DATA  
5050010 - INSIDE WIRE MAINTENANCE  
5050020 - CUST.PREM.EQ.PROV.CONTRCT  
5050030 - TELEPHONE SET SALES  
5050040 - TELEPHONE SET RENTALS  
5060010 - OTH.LOC.REV-CALL WAITING  
5060020 - OTH.LOC.REV-CALL FORWARD.  
5060030 - OTH.LOC.REV-VOICE MAIL  
5060040 - OTH.LOC.REV-CALLER ID  
5060050 - OTH.LOC.REV-3/WAY CALLING  
5060060 - OTH.LOC.REV-CLASS PACKAGE  
5060070 - OTH.LOC.REV-FEATURE PKG.  
5060080 - OTH.LOC.REV-ALL FEATURES  
5060090 - OTH.LOC.REV-LOC.OPERATOR  
5060100 - OTH.LOC.REV-LOC.DIR.ASST.  
5060110 - OTH.LOC.REV-ANNOUNCEMENTS  
5081010 - END USER CHARGES  
5082010 - ACCESS CHG-INT/STATE SWIT  
5083010 - ACCESS CHG-INT/STATE SPEC  
5084010 - ACCESS CHG-STATE ER SWIT.  
5084020 - ACCESS CHG-STATE RA SWIT.  
5084030 - ACCESS CHG-STATE ER SPEC.  
5084040 - ACCESS CHG-STATE RA SPEC.  
5100010 - TOLL-STATE INTRALATA  
5100020 - TOLL-STATE INTERLATA  
5100030 - TOLL-INTERSTATE  
5100040 - TOLL-CASUAL CALLING  
5100050 - TOLL-CALLING CARD  
5100060 - TOLL-OPERATOR SURCHARGES  
5100070 - TOLL-DIRECTORY ASSISTANCE  
5230010 - SALE OF FOREIGN DIRECTORY  
5240010 - RENT REVENUE  
5250010 - CORPORATE OPERATIONS REV.  
5260010 - OTHER OPERATING REVENUES  
5270010 - PIC CHARGES  
5270020 - INTERSTATE BIL.&COLL-AT&T  
5270030 - INTRASTATE BIL.&COLL-AT&T  
5270040 - BILL.&COLL.-OTH.INT.CARR.  
5301010 - LOSS ON UNCOLL. ACCOUNTS  
6112010 - P/S-MOTOR VEH.EXPENSE-BEN  
6112011 - P/S-MOTOR VEH.EXPENSE-LAB  
6112014 - P/S-MOTOR VEH.EXPENSE-OTH  
6112015 - P/S-MOTOR VEH.EXPENSE-CLR

## ACCOUNT DESCRIPTION

\*\*\* CENTER -

## 921 - TELECOMMUNICATIONS

6115011 - P/S-GARAGE WK. EQ.EXP-LAB  
6115012 - P/S-GARAGE WK. EQ.EXP-BEN  
6115014 - P/S-GARAGE WK. EQ.EXP-OTH  
6116011 - P/S-OTH. WORK EQ. EXP-LAB  
6116012 - P/S-OTH. WORK EQ. EXP-BEN  
6116014 - P/S-OTH. WORK EQ. EXP-OTH  
6116015 - P/S-OTH. WORK EQ. EXP-CLR  
6121011 - P/S-BLDG.EXP.-GENERAL-LAB  
6121012 - P/S-BLDG.EXP.-GENERAL-BEN  
6121014 - P/S-BLDG.EXP.-GENERAL-OTH  
6121021 - P/S-BLDG.EXP.-ACC.NOD-LAB  
6121022 - P/S-BLDG.EXP.-ACC.NOD-BEN  
6121024 - P/S-BLDG.EXP.-ACC.NOD-OTH  
6121031 - P/S-GROUNDS EXPENSE-LABOR  
6121032 - P/S-GROUNDS EXPENSE-BEN.  
6121034 - P/S-GROUNDS EXPENSE-OTHER  
6122011 - P/S-OFFICE FURN. EXP.-LAB  
6122012 - P/S-OFFICE FURN. EXP.-BEN  
6122014 - P/S-OFFICE FURN. EXP.-OTH  
6123011 - P/S-OFFICE EQPT. EXP.-LAB  
6123012 - P/S-OFFICE EQPT. EXP.-BEN  
6123013 - P/S-OFFICE EQPT. EXP.-RNT  
6123014 - P/S-OFFICE EQPT. EXP.-OTH  
6124011 - P/S-COMP.OPER-MFRAME.-LAB  
6124012 - P/S-COMP.OPER-MFRAME.-BEN  
6124013 - P/S-COMP.OPER-MFRAME.-RNT  
6124014 - P/S-COMP.OPER-MFRAME.-OTH  
6124021 - P/S-COMPUTER OPER-PC-LAB.  
6124022 - P/S-COMPUTER OPER-PC-BEN.  
6124023 - P/S-COMPUTER OPER-PC-RENT  
6124024 - P/S-COMPUTER OPER-PC-OTH.  
6124031 - P/S-COMP.OPER-SOFTWAR-LAB  
6124032 - P/S-COMP.OPER-SOFTWAR-BEN  
6124033 - P/S-COMP.OPER-SOFTWAR-RNT  
6124034 - P/S-COMP.OPER-SOFTWAR-OTH  
6212014 - P/S-SWITCHING PAYMENT-GLO  
6212021 - P/S-OTH. SWITCH MAINT-LAB  
6212022 - P/S-OTH. SWITCH MAINT-BEN  
6212024 - P/S-OTH. SWITCH MAINT-OTH  
6212031 - P/S-SWITCH MAINT-SOFT-LAB  
6212032 - P/S-SWITCH MAINT-SOFT-BEN  
6212034 - P/S-SWITCH MAINT-SOFT-OTH  
6212044 - P/S-BELLSOUTH SWITCHING  
6212054 - P/S-SS7 CONNECTION  
6212064 - P/S-800 D/BASE QUERY CHGS  
6212074 - P/S-POWER SWITCHING  
6232011 - P/S-MAINT. OF ACC.NOD-LAB  
6232012 - P/S-MAINT. OF ACC.NOD-BEN  
6232014 - P/S-MAINT. OF ACC.NOD-OTH  
6232021 - P/S-MAINT. OF FIB.TER-LAB  
6232022 - P/S-MAINT. OF FIB.TER-BEN

## ACCOUNT      DESCRIPTION

) \*\*\* CENTER -

## 921 - TELECOMMUNICATIONS

6232024 - P/S-MAINT. OF FIB.TER-OTH  
6232031 - P/S-MAINT. OF CHN.BNK-LAB  
6232032 - P/S-MAINT. OF CHN.BNK-BEN  
6232034 - P/S-MAINT. OF CHN.BNK-OTH  
6311011 - P/S-REPRS OF LEAS.SET-LAB  
6311012 - P/S-REPRS OF LEAS.SET-BEN  
6311014 - P/S-REPRS OF LEAS.SET-OTH  
6362014 - P/S-INST. INSD. WIRE-CONTR  
6362021 - P/S-INSIDE WIRE MAINT-LAB  
6362022 - P/S-INSIDE WIRE MAINT-BEN  
6362024 - P/S-INSIDE WIRE MAINT-OTH  
6362031 - P/S-INSTALL CUST. CPE-LAB  
6362032 - P/S-INSTALL CUST. CPE-BEN  
6362034 - P/S-INSTALL CUST. CPE-OTH  
6362041 - P/S-REPAIR CUST/O CPE-LAB  
6362042 - P/S-REPAIR CUST/O CPE-BEN  
6362044 - P/S-REPAIR CUST/O CPE-OTH  
6411011 - P/S-POLES EXPENSE-LABOR  
6411012 - P/S-POLES EXPENSE-BENEFIT  
6411014 - P/S-POLES EXPENSE-OTHER  
6411023 - P/S-POLE ATTACH. RENTAL  
6421011 - P/S-AERL.CAB.EXP-COPP-LAB  
6421012 - P/S-AERL.CAB.EXP-COPP-BEN  
6421014 - P/S-AERL.CAB.EXP-COPP-OTH  
6421021 - P/S-AERL.CAB.EXP-FIB-LAB  
6421022 - P/S-AERL.CAB.EXP-FIB-BEN  
6421024 - P/S-AERL.CAB.EXP-FIB-OTH  
6423011 - P/S-BURD.CAB.EXP-COP-LAB  
6423012 - P/S-BURD.CAB.EXP-COP-BEN  
6423014 - P/S-BURD.CAB.EXP-COP-OTH  
6423021 - P/S-BURD.CAB.EXP-FIB-LAB  
6423022 - P/S-BURD.CAB.EXP-FIB-BEN  
6423024 - P/S-BURD.CAB.EXP-FIB-OTH  
6441011 - P/S-CONDUIT EXPENSES-LAB  
6441012 - P/S-CONDUIT EXPENSES-BEN  
6441014 - P/S-CONDUIT EXPENSES-OTH  
6512011 - P/NS-STORE/RM.EXPENSE-LAB  
6512012 - P/NS-STORE/RM.EXPENSE-BEN  
6512014 - P/NS-STORE/RM.EXPENSE-OTH  
6512015 - P/NS-STORE/RM.EXPENSE-CLR  
6531014 - P/NS-NETWORK TRANS.POWER  
6532011 - P/NS-O/SIDE PLT.SUPER-LAB  
6532012 - P/NS-O/SIDE PLT.SUPER-BEN  
6532014 - P/NS-O/SIDE PLT.SUPER-OTH  
6533011 - P/NS-TESTING EXPENSE-LAB  
6533012 - P/NS-TESTING EXPENSE-BEN  
6533014 - P/NS-TESTING EXPENSE-OTH  
6533021 - P/NS-TBL.RPT.&DISPTH-LAB  
6533022 - P/NS-TBL.RPT.&DISPTH-BEN  
6533024 - P/NS-TBL.RPT.&DISPTH-OTH  
6534011 - P/NS-N/SIDE PLT.SUPER-LAB

## ACCOUNT DESCRIPTION

\*\*\* CENTER -

## 921 - TELECOMMUNICATIONS

6534012 - P/NS-N/SIDE PLT.SUPER-BEN  
6534014 - P/NS-N/SIDE PLT.SUPER-OTH  
6534015 - P/NS-N/SIDE PLT.SUPER-CLR  
6535011 - P/NS-ENGR.EXP-GENERAL-LAB  
6535012 - P/NS-ENGR.EXP-GENERAL-BEN  
6535014 - P/NS-ENGR.EXP-GENERAL-OTH  
6535015 - P/NS-ENGR.EXP-GENERAL-CLR  
6535021 - P/NS-ENGR.EXP-SWITCH.-LAB  
6535022 - P/NS-ENGR.EXP-SWITCH.-BEN  
6535024 - P/NS-ENGR.EXP-SWITCH.-OTH  
6535025 - P/NS-ENGR.EXP-SWITCH.-CLR  
6535031 - P/NS-ENGR.EXP-NETWORK-LAB  
6535032 - P/NS-ENGR.EXP-NETWORK-BEN  
6535034 - P/NS-ENGR.EXP-NETWORK-OTH  
6535035 - P/NS-ENGR.EXP-NETWORK-CLR  
6535041 - P/NS-ENGR.EXP-DATA-LABOR  
6535042 - P/NS-ENGR.EXP-DATA-BEN.  
6535044 - P/NS-ENGR.EXP-DATA-OTHER  
6535045 - P/NS-ENGR.EXP-DATA-CLEAR.  
6535051 - P/NS-CABLE&MAP RECORD-LAB  
6535052 - P/NS-CABLE&MAP RECORD-BEN  
6535054 - P/NS-CABLE&MAP RECORD-OTH  
6535055 - P/NS-CABLE&MAP RECORD-CLR  
6540014 - P/NS-B/SOUTH IN/CONN EXP.  
6561010 - P/NS-DEPR.EXP-MOTOR VEH.  
6561110 - P/NS-DEPR.EXP-GRGE.WRK.EQ  
6561120 - P/NS-DEPR.EXP-OTH.WRK.EQP  
6561130 - P/NS-DEPR.EXP-COE P/TEST  
6561210 - P/NS-DEPR.EXP-BLDG-CO SW.  
6561220 - P/NS-DEPR.EXP-BLDG-AC.NOD  
6561310 - P/NS-DEPR.EXP-OFF.FUR.&FX  
6561320 - P/NS-DEPR.EXP-OFF.EQUIPT.  
6561330 - P/NS-DEPR.EXP-CO.TELE.SYS  
6561340 - P/NS-DEPR.EXP-COMP.MAIN/F  
6561350 - P/NS-DEPR.EXP-PERSONAL PC  
6561410 - P/NS-DEPR.EXP-CENT.OFF.SW  
6561460 - P/NS-DEPR.EXP-CUST.PRM.EQ  
6561510 - P/NS-DEPR.EXP-POLES  
6561520 - P/NS-DEPR.EXP-AERL.CB-COP  
6561530 - P/NS-DEPR.EXP-AERL.CB-FIB  
6561540 - P/NS-DEPR.EXP-UG-CB-COP  
6561550 - P/NS-DEPR.EXP-UG-CB-FIB  
6561560 - P/NS-DEPR.EXP-BUR.CB-COPP  
6561570 - P/NS-DEPR.EXP-BUR.CB-FIB.  
6561710 - P/NS-DEPR.EXP-CONDUIT  
6564010 - P/NS-AMTZ.EXP-ORGANIZATIO  
6612011 - SALES COMMISSIONS-LABOR  
6612012 - SALES COMMISSIONS-BENEFIT  
6612014 - SALES COMMISSIONS-OTHER  
6612021 - SALES SUPERVISION-LABOR  
6612022 - SALES SUPERVISION-BENFITS

## ACCOUNT DESCRIPTION

\*\*\* CENTER -

## 921 - TELECOMMUNICATIONS

6612024 - SALES SUPERVISION-OTHER  
6612034 - AGENCY COMMISSIONS  
6613011 - GENERAL MARKETING-LABOR  
6613012 - GENERAL MARKETING-BENFITS  
6613014 - GENERAL MARKETING-OTHER  
6613021 - ADVERTISING-LABOR  
6613022 - ADVERTISING-BEN.  
6613024 - ADVERTISING-OTHER  
6622014 - B/SOUTH DIRECTORY ASSIST  
6622024 - PURCHASE OF FOREIGN DIRET  
6622031 - OTHER DIRECT. EXPENSE-LAB  
6622032 - OTHER DIRECT. EXPENSE-BEN  
6622034 - OTHER DIRECT. EXPENSE-OTH  
6623014 - CUSTOMER OPER.SUPV-GLOBE  
6623024 - CUSTOMER OPER. TRAINING  
6623034 - CUSTOMER OPER. DATA LINE  
6623041 - SERVICE ORDER PROC.-LAB.  
6623042 - SERVICE ORDER PROC.-BEN.  
6623044 - SERVICE ORDER PROC.-OTH.  
6623051 - PAYMENT & COLLECT.-LABOR  
6623052 - PAYMENT & COLLECT.-BEN.  
6623054 - PAYMENT & COLLECT.-OTHER  
6623061 - BILL INQUIRY-LABOR  
6623062 - BILL INQUIRY-BEN.  
6623064 - BILL INQUIRY-OTHER  
6623074 - COLLECTION AGENCY EXPENSE  
6623081 - PRODUCT & SERV.INSTR-LAB.  
6623082 - PRODUCT & SERV.INSTR-BEN.  
6623084 - PRODUCT & SERV.INSTR-OTH.  
6623091 - MESSAGE PROCESSING-LABOR  
6623092 - MESSAGE PROCESSING-BEN.  
6623094 - MESSAGE PROCESSING-OTHER  
6623101 - BILL PREP.&RENDERING-LAB.  
6623102 - BILL PREP.&RENDERING-BEN.  
6623104 - BILL PREP.&RENDERING-OTH.  
6623114 - POSTAGE  
6623121 - TOLL INVESTIGATION-LABOR  
6623122 - TOLL INVESTIGATION-BEN.  
6623124 - TOLL INVESTIGATION-OTHER  
6623131 - IN-HOUSE COLLECTION-LABOR  
6623132 - IN-HOUSE COLLECTION-BEN.  
6623134 - IN-HOUSE COLLECTION-OTHER  
6623144 - SETTLEMENT W/OTHER TELCOS  
6623154 - CALLING CARD EXPENSES  
6623164 - REV.ACCT.ORG.(RAO)/3RD PT  
6711011 - EXECUTIVE MGT. EXP.-LAB.  
6711012 - EXECUTIVE MGT. EXP.-BEN.  
6711014 - EXECUTIVE MGT. EXP.-OTH.  
6712011 - PLANNING & STRATEGY-LAB.  
6712012 - PLANNING & STRATEGY-BEN.  
6712014 - PLANNING & STRATEGY-OTH.

## ACCOUNT DESCRIPTION

\*\*\* CENTER -

## 921 - TELECOMMUNICATIONS

- 6721011 - ACCOUNTING-LABOR
- 6721012 - ACCOUNTING-BENEFITS
- 6721014 - ACCOUNTING-OTHER
- 6721021 - AUDITING-LABOR
- 6721022 - AUDITING-BENEFITS
- 6721024 - AUDITING-OTHER
- 6722011 - EXTERNAL RELATIONS-LABOR
- 6722012 - EXTERNAL RELATIONS-BEN.
- 6722014 - EXTERNAL RELATIONS-OTHER
- 6723011 - HUMAN RESOURCES-LABOR
- 6723012 - HUMAN RESOURCES-BENEFITS
- 6723014 - HUMAN RESOURCES-OTHER
- 6725014 - LEGAL EXPENSES
- 6726011 - PURCHASING EXPENSES-LABOR
- 6726012 - PURCHASING EXPENSES-BEN.
- 6726014 - PURCHASING EXPENSES-OTHER
- 6726015 - PURCHASING EXPENSES-CLEAR
- 6728011 - OTHER GEN. & ADM.-LABOR
- 6728012 - OTHER GEN. & ADM.-BENEFIT
- 6728014 - OTHER GEN. & ADM.-OTHER
- 6728024 - INSURANCE
- 6728034 - MEMBERSHIP DUES
- 7160010 - OTHER OPERATING GAIN
- 7160020 - OTHER OPERATING LOSS
- 7240010 - IN LIEU OF TAXES
- 7240020 - OTHER TAXES
- 7320010 - INTEREST INCOME
- 7350010 - GAIN FROM SALE OF PROPER.
- 7350020 - LOSS FROM SALE OF PROPER.
- 7510010 - INTEREST ON FUNDED DEBT
- 7540010 - INTEREST ON CUSTOMER DEP.
- 7620010 - DELAYED INCOME-CHARGES

## **EXHIBIT RMB-2**

**ELECTRIC POWER BOARD OF CHATTANOOGA**  
**COMPLIANCE WITH SECTIONS 7-52-401 to 7-52-407**

The Electric Power Board ("EPB") is expanding its accounting systems and modifying portions of its accounting procedures to ensure its ability to comply fully with the prohibition against subsidies found in Section 7-52-402 and to comply with the requirements of Sections 7-52-402, 7-52-404, and 7-52-405 regarding imputing costs. Explained below are the methods that EPB will be using to properly separate telephone from electric accounting data and provide assurance that subsidization does not occur and costs are properly allocated.

**Overview**

The Electric Power Board is setting up a telephone service division to achieve organizational and accounting separation from its electric service operations. For this new telephone division, EPB is establishing a telephone accounting system that is separate from its electric accounting system. The new telephone system will enable telephone accounting transactions to be identified and recorded in a set of accounts distinct from the electric accounting records.

EPB has designed a chart of accounts for the telephone accounting system that utilizes the Federal Communications Commission's Uniform System of Accounts for Telecommunication Companies as defined in the Code of Federal Regulations, Title 47, Part 32. EPB's use of these accounts will be in accordance with the Part 32 account definitions. EPB would like to note that it recognizes that FCC Part 32 accounting is not required of CLEC's but that Part 32 will be used to simplify telephone reporting to the Tennessee Regulatory Authority. All of the accounting entries recorded in these accounts will be directly related to telephone service or will be the result of an equitable and supportable allocation between telephone service and electric service.

Although all of the telephone accounting transactions, both direct and allocated, will originate in EPB's electric accounting system, they will be uniquely identified by means of predefined account number ranges or by assignment to a cost center specifically designated to accumulate telephone accounting activity. At month-end, these transactions will be summarized and transferred to the appropriate FCC accounts residing in the telephone accounting segment of the general ledger system. From the account balances maintained in this segment, the telephone accounting records will be available for reporting and historical analysis. The telephone financial statements prepared by EPB will present all of the accounting elements pertaining to its telephone operations and will be independent of EPB's electric financial statements.

Described below are the accounting procedures EPB will be using to maintain its telephone and electric accounting records in conformance with the statutory requirements.

**Balance Sheet Accounting**

1. Cash – The telephone division will maintain bank accounts separate from those of the electric division. All telephone cash receipts from customers and other external parties will be deposited directly in the telephone division bank accounts. Telephone disbursements will originally be paid from electric division bank accounts, but the telephone division will reimburse the electric division for the total at month-end via electronic funds transfer. Services performed by one division for the benefit of the other division will be handled by invoicing and payment processing just as with any external entity.



2. **Receivables (External)** – Telephone receivables will be fully segregated from electric receivables. Both billings and payments for telephone service will be recorded directly to appropriate telephone receivable accounts as they occur.
3. **Payables (External)** – Telephone payables to external parties will be recorded in the electric division's accounting system and will be paid from electric division bank accounts. To maintain their telephone identity, these amounts will be recorded to telephone account numbers or in the telephone cost center. At month-end, a payable for the total reimbursement due to the electric division will be recorded in the telephone division's accounting system.
4. **Intracompany Receivables and Payables** – Each division will carry a receivable and payable account for intracompany transactions with the other division. These accounts will contain billings and other amounts designated for such fund transfers between the two divisions as will be needed to maintain a proper accounting separation of telephone and electric financial activity. Under this arrangement all intracompany transactions will be cash-based and will involve the transfer of funds. In determining the terms and conditions applicable to these intracompany receivables and payables, both divisions at EPB will utilize the same standards that are applicable to outside parties.
5. **Intracompany Loans** – The current market rate of interest will be applicable to loans made by one division to the other division which rate of interest will not be less than the highest rate earned by EPB on its invested funds.
6. **Materials** – All material assets will initially be recorded in the inventory accounts of the electric division. Material issues will either be directly assigned to telephone or electric or will be allocated if joint work is performed on a work order. Currently, the expenses of the provisioning and warehouse functions are loaded as an additive to the cost of each material item issued from inventory. This procedure will be applied to telephone material issues also.
7. **Plant Assets** – All plant assets will initially be recorded in the plant accounts of the electric division. The accounting procedures to be applied to plant assets that will be wholly or partially used to provide telephone service are explained below.
  - a. **Plant Dedicated to Telephone Service** – Some plant assets may be bought or constructed solely for telephone service purposes for which the telephone division will fully reimburse the electric division. Other plant assets, such as a fiber optic route, will be constructed to provide both telephone and electric service. Both types of assets will be recorded in the electric division's plant accounts when installed, and a determination will be made regarding the portion that will be used by the electric division. The remaining portion, including excess capacity, will be purchased by the telephone division (with the telephone division paying the proportionate cost as shown on the electric division books) and recorded as a telephone asset in the appropriate telephone plant account. In the electric division's plant records, this telephone plant portion will be reported as a contra-asset. On the electric books it will be referred to as Plant Dedicated to Telephone in order to specifically identify it as plant used to provide telephone service. Retirement accounting entries for plant that has been apportioned between telephone and electric plant records will be divided between telephone and electric according to the average installation apportionment for the specific type of plant asset.
  - b. **Plant Leased to Telephone Division** – Plant assets such as poles, land, and buildings, which are jointly used by both divisions but which are not easily physically divisible and assignable between the two divisions, will remain entirely in the electric plant accounts and be leased by the telephone division rather than purchased from the electric division. All leases will be calculated in accordance with applicable FCC Part 32 definitions. The use of poles for pole attachments, which is currently already leased to other entities, and any similar items will be

leased to the telephone division at the highest rate paid by an outside party for comparable pole attachments. For other leased plant, the electric division will develop a lease price that will fully cover the depreciation, maintenance, and other loaded costs of the asset used. For example, floor space in the electric buildings will be leased to the telephone division on a per-square-foot basis.

8. **Construction Work in Progress** – EPB currently uses a work order system very similar to those used by telephone companies. The cost of materials, labor, vehicles and heavy equipment, benefits, and other items that are required to complete a telephone construction job will be processed through this system and separately identified from the costs of electric work. The accounting procedures for determining and recording these costs are described below in the Accounting for Revenues and Expenses section.
9. **Depreciation** – All depreciable assets recorded in the plant accounts of the telephone division will be depreciated in the telephone accounting system. Depreciation rates will reflect industry normal life spans.
10. **Amortization** – Non-tangible assets and assets such as capitalized software will be amortized over industry normal life spans.

### **Accounting for Revenues and Expenses**

1. **Revenues** – Telephone service revenues will be recorded directly to telephone revenue accounts as they are earned.
2. **Labor Expenses** – Labor for field employees and contractors performing telephone operation and maintenance work will be directly assigned to telephone expense accounts at the time such work occurs or will be appropriately allocated if telephone and electric work are jointly performed on a work order. Labor for the majority of office personnel will be allocated between telephone and electric on the basis of percentages determined by time studies, which will be updated no less frequently than annually. As an example, the labor for accounting personnel will be divided between telephone and electric expense accounts according to a periodic analysis of the accounting functions performed by each employee. Such labor allocations will also be appropriately revised whenever work assignments or other pertinent circumstances change. Labor expenses for management and certain other administrative personnel will be allocated as a general and administrative expense as described in a later section.
3. **Labor-Related Expenses** – Training hours and time spent away from work due to sick leave, holidays, vacations, etc. will be accumulated monthly at the department level and prorated to the same accounts and in the same proportion as the department's labor dollars are charged. The allocation of payroll taxes and employee insurance to telephone and electric accounts is described in a later section.
4. **Other Expenses** – EPB's expense account numbers include very detailed functional codes for tracking specific expense categories such as supplies, membership dues, publications, postage, etc. Some expenses will be directly assigned to telephone, to electric, or to both if a basis for direct assignment can be established. An example would be travel, which can be directly assigned according to the specific circumstances of a trip taken. Other expenses such as departmental office supplies will be allocated, using labor dollars, to the same accounts where the department's labor is directly recorded, whether telephone, electric, or both. The following explains the basis for allocation of certain general and administrative expenses and of several other major expense categories that will need to be allocated between telephone and electric accounts:

- a. **Payroll Taxes** – EPB will allocate payroll taxes on the basis of total labor dollars.
- b. **Employee Insurance Expenses** – EPB expenses for the employee retirement plan, disability insurance, term life insurance, and other benefits that are directly related to labor expenses will be allocated using total labor dollars. Other expenses such as health and dental insurance that are not a function of labor dollars will be allocated on the basis of labor hours.
- c. **Other Insurance Expenses** – Property and liability insurance expenses will be allocated as appropriate. For example, the allocation for insurance on assets will be determined by the assets insured. Insurance on vehicles is currently distributed to accounts as part of the vehicle expense clearing process. Some insurance policies, such as general liability, have no directly assignable basis and will be allocated using total labor dollars.
- d. **Human Resources** – The labor and expenses for the operation of the Human Resources Department will be allocated to the telephone and electric divisions using total labor dollars.
- e. **Management and Other Administrative Personnel** – Labor and expenses that cannot be directly assigned to telephone and electric accounts will be allocated using total labor dollars.
- f. **Board of Directors' Expenses** – These expenses will be allocated using total labor dollars.
- g. **Services of City of Chattanooga** – EPB currently pays the City of Chattanooga a monthly fee for two City officials to sign checks issued by EPB. These fees will be allocated using total labor dollars.
- h. **Other General and Administrative Expenses** – Only a relatively small portion of these expenses cannot be directly assigned or have no easily determinable allocation basis. These expenses will be allocated between telephone and electric using total labor dollars.
- i. **Telephone Expense** – It is anticipated that telephone service for the electric division will be purchased from the telephone division. The electric division will be treated as any other telephone customer and will be billed at tariffed rates. These costs along with any other associated telephone costs are part of other General and Administrative Expenses and the telephone division will pay its share in accordance with 4(h) above.
- j. **Payment Processing** – For processing telephone payments, the electric division will charge the telephone division a market rate equivalent to the rate charged to other entities.
- k. **Marketing and Advertising** – Directly assignable marketing and advertising costs will be directly assigned. For example, a billboard presenting telephone service features will be assigned to the telephone division. A very small dollar amount of marketing expense is anticipated to be of a joint nature. Such joint marketing expenses will be allocated between the telephone and electric division using gross revenues. EPB does not currently permit other entities to have bill-stuffing privileges in its electric bills and does not intend to allow the telephone division to have such ability.
- l. **Vehicle Expense** – To allocate vehicle expenses to telephone accounts, EPB will continue to use the current system in which detailed records of the costs to operate and maintain vehicles are maintained. These vehicle expenses, including depreciation and insurance, are allocated to accounts in accordance with vehicle use, which is normally determined by the work performed by the employees to whom they are assigned. The expenses for vehicles

assigned to crews that perform construction and maintenance work are allocated to accounts on a cost-per-hour basis. For all other vehicles, the allocation basis is cost per mile.

- m. Mapping System and Software – EPB maintains a computerized mapping system. Like most of the other internally developed systems, the mapping system was directly expensed, and there is no accumulated capitalized amount to amortize. All expenses including modifying or updating the system or other expenses associated with mapping will be allocated between the telephone and electric divisions using the route miles of facilities mapped.
- n. Service Restoration – This is another software system for which the costs have been directly expensed as incurred. All expenses including modifying or updating the system or other expenses of the service restoration system will be allocated to the telephone and electric divisions on the basis of the direct labor of employees performing field repairs.

### **Subsidy Tests and Regulatory Reporting**

Statutory requirements stipulate that EPB make several adjustments to its financial data for the regulatory purpose of calculating any subsidy tests or for pricing. Accordingly, EPB makes the following proposal for reporting annually to the Tennessee Regulatory Authority:

1. EPB will report to the TRA its financial statement data, as recorded, in whatever format the TRA requires. This will provide the TRA with EPB's audited financial data.
2. EPB proposes to also send to the TRA a second set of financial statements reflecting the various imputed expenses required per statute. EPB anticipates the following treatment for such imputed and allocated expenses:

### **Dedicated Plant and Loan – Section 7-52-402**

Plant Costs	As noted above, the telephone division will pay the electric division for any dedicated electric plant and, therefore, this cost will not need to be imputed.
Interest	As noted above, the telephone division will pay the electric division market interest which will be greater than the interest cost required to be allocated. Accordingly, no interest cost will need to be imputed.

### **Taxes – Section 7-52-404**

Property Taxes	Computation will be net book value for taxable assets multiplied by the current City or County tax rate as appropriate. An offsetting adjustment will be made to remove any In Lieu Of Taxes currently paid by EPB, which are surrogate payments for property and other taxes.
Sales Taxes	Computation will be the purchases of taxable goods and services during the reporting period multiplied by the applicable sales tax rate. EPB will show such an amount as totally expensed and will not reflect that portions of it may have been capitalized.

Other State and  
Local Taxes

Computation will be based on applicable tax code.

Federal  
Income Tax

Calculations will involve using the current federal corporate income tax rate multiplied by the net taxable income of the telephone division. EPB will make adjustments and deferments to taxes as appropriate and as used by other entities. For example, taxes will be calculated using allowable tax depreciation rather than book depreciation.

**Pole Attachments and Right-of-Way Fees – Section 7-52-405**

Pole Rentals

As noted above, these fees will actually be charged to and paid by the telephone division and will not need to be imputed.

Other Charges

If a non-governmental corporation providing identical services as the telephone division is required to pay right-of-way fees, rentals, charges or payments imposed by state or local law, then corresponding computations will be calculated for the telephone division.

AFFIDAVIT

STATE OF TENNESSEE:  
COUNTY OF HAMILTON:

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Rose M. Baxter, Vice President of Accounting of the Electric Power Board of Chattanooga, who being by me first duly sworn, deposed and said that:

She is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 97-07488 on behalf of the Electric Power Board of Chattanooga and, if present before the Authority and duly sworn, her testimony would be as set forth in the annexed testimony consisting of 6 pages and 2 exhibit(s).

Rose M. Baxter  
ROSE M. BAXTER

Sworn to and subscribed before me this 3<sup>rd</sup> day of  
September, 1998.

Evelyn Whitaker  
Notary Public

My commission expires: 3/8/99

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing pleading on behalf of the Electric Power Board of Chattanooga, via United States mail, first class postage prepared and properly addressed to the following:

Dennis P. McNamee, Esquire  
Tennessee Regulatory Authority  
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Michael R. Knauff  
Tennessee Power Company  
4612 Maria Street  
Chattanooga, Tennessee 37411

This 4<sup>th</sup> day of September, 1998.

  
Strang, Fletcher, Carriger, Walker  
Hodge & Smith, PLLC



BEFORE THE  
TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IN RE:

APPLICATION OF ELECTRIC	)	
POWER BOARD OF CHATTANOOGA	)	
FOR A CERTIFICATE OF PUBLIC	)	Docket No. 97-07488
CONVENIENCE AND NECESSITY	)	
TO PROVIDE INTRASTATE	)	
TELECOMMUNICATIONS SERVICES	)	

REVISED DIRECT TESTIMONY OF RONALD N. FUGATT,  
EXECUTIVE VICE PRESIDENT  
OF  
THE ELECTRIC POWER BOARD OF CHATTANOOGA

FILED ON BEHALF OF  
THE ELECTRIC POWER BOARD OF CHATTANOOGA

September 3, 1998

1 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

2 A. My name is Ronald N. Fugatt, and I am the Executive Vice  
3 President of the Electric Power Board of Chattanooga  
4 ("Electric Power Board"). My business address is P.O. Box  
5 182255, Chattanooga, Tennessee 37422-7255.  
6

7 Q. PLEASE DESCRIBE YOUR POSITION AND BACKGROUND.

8 A. The position of Executive Vice President is the second highest  
9 ranking employee of the Electric Power Board, and I report  
10 directly to the President and Chief Executive Officer. I am  
11 an electrical engineer, and I began my career with the  
12 Electric Power Board in 1968 as Assistant Engineer. I worked  
13 in the Electric Power Board's Operating Division for 18 years,  
14 advancing to Manager of that Division in 1979. In 1986, I was  
15 named Manager of the General Services Division, and in 1989,  
16 I was named Manager of the Engineering Division. In December,  
17 1996, my title was changed to Vice President, Engineering, and  
18 on September 1, 1997, I was promoted to Executive Vice  
19 President of the Electric Power Board. I received my Bachelor  
20 of Science in Electrical Engineering from the University of  
21 Tennessee at Knoxville, graduating with High Honors, and I am  
22 a registered professional engineer.  
23

24 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE TENNESSEE REGULATORY  
25 AUTHORITY?

26 A. No. This is my first opportunity to testify before the  
27 Tennessee Regulatory Authority. I have, however, been  
28 involved in the regulatory process of the Tennessee Valley

1 Authority relating to the Electric Power Board's electric  
2 system operations.

3  
4 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

5 A. The purpose of my testimony is to furnish the Tennessee  
6 Regulatory Authority with testimony in support of the Electric  
7 Power Board's Application for a Certificate of Public  
8 Convenience and Necessity to Provide Intrastate  
9 Telecommunications Services (the "Application"), which was  
10 filed on October 21, 1997, and which has been amended by the  
11 Restated Application dated September 3, 1998. In my  
12 testimony, I will furnish information concerning the existing  
13 fiber optics facilities and will demonstrate that the Electric  
14 Power Board possesses sufficient technical abilities to  
15 provide the applied-for services.

16  
17 Q. WHAT FACILITIES DOES THE ELECTRIC POWER BOARD CURRENTLY  
18 POSSESS THAT COULD BE USED FOR ITS TELECOMMUNICATIONS  
19 DIVISION?

20 A. The Electric Power Board has installed under my direction a  
21 fiber optic loop consisting of 96 fibers. Some of these  
22 fibers can be made available to the Telecommunications  
23 Division and can serve as a backbone for the Electric Power  
24 Board's telecommunications network.

25  
26 Q. PLEASE EXPLAIN THE ELECTRIC POWER BOARD'S NEED FOR A FIBER  
27 OPTIC NETWORK AND ITS CURRENT AND FUTURE USES.

1 A. The Electric Power Board has substantial need for efficient,  
2 high speed and reliable data communications to monitor and  
3 control its electrical distribution system. It is imperative  
4 for the Electric Power Board to be able to provide reliable  
5 protective relaying for its high voltage transmission lines,  
6 to monitor and control its substations and to enhance the  
7 existing data communications between components of its  
8 electrical distribution system. The fiber optic network to  
9 some extent has furnished that capability.  
10

11 Q. EXPLAIN THE NEED FOR USE OF FIBER OPTICS FOR PROTECTIVE  
12 RELAYING.

13 A. Protective relaying consists of a series of pairs of sensing  
14 devices and circuit breakers on the Electric Power Board's  
15 46 Kv transmission lines. The sensing devices communicate  
16 with each other to determine whether there is a fault or other  
17 disturbance between them. Sensing a fault, the protective  
18 relays will open the circuit breakers thereby protecting the  
19 lines. A fiber optic communication between the protective  
20 relays is much more reliable than a telephone line, which  
21 often has noise on the line caused by lightning or the power  
22 fault itself.  
23

24 Q. PLEASE DESCRIBE THE ELECTRIC POWER BOARD'S SCADA AND OTHER  
25 DATA COMMUNICATIONS SYSTEMS AND THEIR RELATION TO THE FIBER  
26 OPTIC NETWORK.

1 A. Since 1947, the Electric Power Board has had a Supervisory  
2 Control and Data Acquisition ("SCADA") system, which provides  
3 for remote control and monitoring functions for the Electric  
4 Power Board's electrical distribution system. The SCADA  
5 system employs both microwave radio and land lines in its  
6 operations, and the Electric Power Board is upgrading its  
7 SCADA system to state-of-the-art technology. The fiber optic  
8 network will add reliability and efficiency to the SCADA  
9 system. The Electric Power Board has been responsible for  
10 developing and installing its own local area computer network  
11 ("LAN"), which is spread across several buildings several  
12 miles apart. With the fiber optic network, the Electric Power  
13 Board has established efficient and reliable data  
14 communications between its buildings for its computer LAN.

15  
16 Q. WHAT ADDITIONAL BENEFIT DOES THE ELECTRIC POWER BOARD FORESEE  
17 FROM ITS FIBER OPTIC NETWORK?

18 A. With the fiber optic network, the Electric Power Board will be  
19 capable of offering a variety of electric service pricing  
20 options, such as real-time pricing, and other energy  
21 information services. These additional energy information  
22 services now or in the future will include customer monitoring  
23 of electricity usage, load control (such as remote control of  
24 appliances), system monitoring, (such as outage notification  
25 and tamper or theft detection), remote service connection and  
26 disconnection, automated or remote meter reading, interactive

1 billing, customer services, and other communications between  
2 the customer and the Electric Power Board.

3  
4 Q. WHAT EXPERTISE IN TELECOMMUNICATIONS HAS THE ELECTRIC POWER  
5 BOARD DEVELOPED IN OPERATING ITS ELECTRICAL DISTRIBUTION  
6 SYSTEM?

7 A. A smooth running, efficient electric distribution system is  
8 dependent upon smooth running and efficient communications  
9 between the components of the system. The Electric Power  
10 Board has developed expertise in operating and maintaining  
11 this internal communication system and has developed  
12 additional expertise in installing and operating the fiber  
13 optics loop.

14  
15 Q. DOES THE ELECTRIC POWER BOARD NEED ADDITIONAL ASSISTANCE IN  
16 DEVELOPING A FACILITIES-BASED TELEPHONE BUSINESS AS A COM-  
17 PETING LOCAL EXCHANGE PROVIDER?

18 A. Yes. To supplement the Electric Power Board's existing  
19 technical abilities, the Electric Power Board has retained the  
20 services of Competitive Communications Group, a  
21 telecommunications consulting group comprised primarily of  
22 consultants formerly associated with John Starulakis, Inc.  
23 Competitive Communications Group has agreed to provide  
24 necessary support to the Electric Power Board in  
25 telecommunications-specific managerial matters. Attached as  
26 Exhibit RNF-1 to my testimony is an organizational chart for  
27 the Telecommunications Division. From a technical

1 perspective, the Electric Power Board will utilize Competitive  
2 Communications Group and other consultants, as needed, to  
3 assist the Electric Power Board with engineering aspects of  
4 system design and in building upon the Electric Power Board's  
5 skill base for electric system telecommunications applications  
6 to apply this experience to telecommunications applications of  
7 a competitive local exchange carrier.

8  
9 Q. WILL THE ELECTRIC POWER BOARD RELY UPON ANY OTHER OUTSIDE  
10 ASSISTANCE?

11 A. Yes. The Electric Power Board realizes that it is faced with  
12 a substantial learning curve before it can provide local  
13 exchange telephone service to the standards it will require of  
14 itself. Accordingly, EPB, through its agreement with Globe  
15 Telecommunications, contracted for expertise in the areas of  
16 managerial assistance, technical assistance, furnishing the  
17 switch, billing system and customer care. Globe agrees to  
18 purchase, install, maintain and provision the switch, furnish  
19 the technical assistance and expertise for operation of the  
20 switch and assist the Electric Power Board in the development,  
21 installation and operation of the local telephone network.

22  
23 Although the Electric Power Board operates a very efficient  
24 billing system for its electrical customers mailing in excess  
25 of 150,000 statements each month, there are significant  
26 differences required for a billing system for a local  
27 telephone exchange provider. Under the agreement with Globe,

1 Globe will be responsible for providing the Electric Power  
2 Board telecommunications billing, including expertise,  
3 software and hardware so that the Electric Power Board will  
4 have the highest quality billing to its telecommunications  
5 customers.

6  
7 The Electric Power Board is proud of its Customer Service  
8 Department and its approximately 30 customer service  
9 representatives who competently service its electric service  
10 customers, but the Electric Power Board realizes that customer  
11 service will be a crucial ingredient for the  
12 Telecommunications Division. Accordingly, under the Electric  
13 Power Board Agreement with Globe, Globe will provide the  
14 supervision and training of the Electric Power Board Customer  
15 Service Representatives for the Telecommunications Division.

16  
17 Q. WHERE WILL THE ELECTRIC POWER BOARD PHYSICALLY LOCATE THE  
18 TELECOMMUNICATIONS DIVISION OPERATIONS?

19 A. The Electric Power Board has two main locations of operations.  
20 One is located downtown between Market and Cherry Streets  
21 along Sixth Street. This location houses the Corporate  
22 Office, Customer Service, Information Technology, and  
23 Accounting offices. Due to the purchase of an adjoining  
24 building from TVA after TVA consolidated their office work  
25 force in their Chattanooga complex, ample vacant space is  
26 available to house the Administrative, Marketing, and Customer  
27 Care functions for the Telecommunications Division. A second



1 location about two miles east of the downtown locations houses  
2 the Operations, Engineering, and General Services Divisions of  
3 the EPB. Ample space is available at the location to house  
4 the switch and associated operation functions of the  
5 Telecommunications Division. This location has additional  
6 security, more power supply options, and is also the location  
7 of EPB's seven-day, 24-hour per day operations office.  
8

9 Q. PLEASE DESCRIBE TECHNICAL ACCOMPLISHMENTS OF THE ELECTRIC  
10 POWER BOARD IN THE OPERATION OF ITS ELECTRIC SYSTEM THAT THE  
11 AUTHORITY SHOULD CONSIDER IN ASSESSING THE ELECTRIC POWER  
12 BOARD'S TECHNICAL ABILITIES.

13 A. The Electric Power Board has been a leader in innovation and  
14 in applying technology to increase efficiencies, but more  
15 importantly to improve the services provided to our customers.  
16 As mentioned earlier, the Electric Power Board installed its  
17 first SCADA unit in 1947. In 1970, the Electric Power Board  
18 became one of the first municipal systems in the country to  
19 upgrade the SCADA system and to use a computer to monitor and  
20 report data. That system was expanded and for about the last  
21 20 years has provided vital information about station  
22 operations that detect outages caused by substation breaker  
23 operation the instant they occur. This usually means  
24 dispatching a repairman before a customer has the time to  
25 report an outage. This 20-year old system is currently  
26 undergoing an upgrade which is without question state of the  
27 art.

1 Beginning in 1978, with significant enhancements in 1981, the  
2 Electric Power Board developed a service restoration system  
3 using system facility and customer information that many  
4 utilities would desire to have today. This system makes it  
5 possible to match customer outage calls with system  
6 facilities, greatly enhancing the Electric Power Board's  
7 capability to restore service quickly and efficiently. During  
8 a System disturbance, such as the Blizzard of 1993, the  
9 Service restoration system, developed in-house by the Electric  
10 Power Board, has made possible service restoration that would  
11 have otherwise taken days longer without this system which  
12 allows the Electric Power Board's mainframe computer to manage  
13 all customer calls and permits the Electric Power Board to  
14 call customers back to verify that service has indeed been  
15 restored.

16  
17 Beginning in the mid 1980's, the Electric Power Board  
18 recognized that its customers were using more and more micro  
19 computer equipment that was more sensitive to even momentary  
20 (less than one second) outages. The Electric Power Board's  
21 engineering and operating personnel developed a method to  
22 reduce outages and after its implementation, the number of  
23 momentary outages is one-fifth what they were before. As a  
24 part of this improvement, the Electric Power Board developed  
25 an outage reporting system that tracks all outages and reports  
26 those of threshold frequencies so that further improvement can  
27 be implemented. This system can produce by customer a

1 complete history of that customer's outages. I might add that  
2 several utilities in Tennessee and Alabama have used the  
3 Electric Power Board's methods to reduce outages with the same  
4 results.

5  
6 The last development on which I would like to elaborate, but  
7 by no means the last that could be mentioned, is the Electric  
8 Power Board's Graphics Information System. The Electric Power  
9 Board has been recognized statewide for its computerized  
10 Graphics Information System which was developed in late 1980.  
11 All of the Electric Power Board's electric distribution  
12 facilities are mapped along with the land data. This system  
13 also enhances the Electric Power Board's ability to respond to  
14 customer service interruptions.

15  
16 Q. HOW DOES THIS INFORMATION ABOUT ACCOMPLISHMENTS ON THE  
17 ELECTRIC SYSTEM RELATE TO TELECOMMUNICATIONS?

18 A. The same, or similar, systems will be used to map, monitor,  
19 and track the operations of the telecommunication operation.  
20 All the systems which have been put in place by the Electric  
21 Power Board came from the desire to use our technical  
22 expertise to improve services to our electric customers.  
23 These difficult and costly improvements were not mandated or  
24 forced on the Electric Power Board but were developed by the  
25 Electric Power Board to meet the needs and expectations of its  
26 customers. These accomplishments demonstrate both the  
27 Electric Power Board's ability to master complex technologies

and its determination to implement them for the benefit of its customers. We believe that offering telecommunication services is surely an extension of this long history of applying new technology to serve our community.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

77589.04

# **EXHIBIT RNF-1**

# Electric Power Board Telecommunication Division Chart

Vice President

Secretary

Sales Manager

Wholesale Markets

Operations Manager

Product Manager

Accounting

Office Coordinator

Office Coordinator

Agent Agreements

AE Sm/Med Accounts

AE Large Accounts

Account Manager

Data Engineer

Customer Service Supervisor

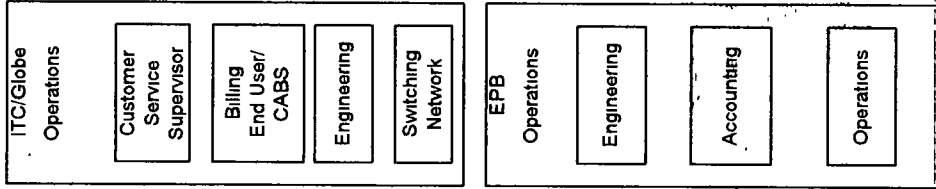
Installation & Maintenance

Billing

Engineering/ Switching/ Network

Customer Service Representative

Network Technician



AFFIDAVIT

STATE OF TENNESSEE:  
COUNTY OF HAMILTON:

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared Ronald N. Fugatt, Executive Vice President of the Electric Power Board of Chattanooga, who being by me first duly sworn, deposed and said that:

He is appearing as a witness before the Tennessee Regulatory Authority in Docket No. 97-07488 on behalf of the Electric Power Board of Chattanooga and, if present before the Authority and duly sworn, his testimony would be as set forth in the annexed testimony consisting of 11 pages and 1 exhibit.

  
RONALD N. FUGATT

Sworn to and subscribed before me this 3<sup>rd</sup> day of September, 1998.

  
Notary Public

My commission expires: 3/8/99

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing pleading on behalf of the Electric Power Board of Chattanooga, via United States mail, first class postage prepared and properly addressed to the following:

Dennis P. McNamee, Esquire  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Guy M. Hicks, General Counsel  
BellSouth Communications, Inc.  
333 Commerce Street  
Suite 2101  
Nashville, Tennessee 37201-3300

Val Sanford, Esquire  
Gullett, Sanford, Robinson & Martin  
P.O. Box 198888  
Nashville, Tennessee 37219-8888

James P. Lamoureux, Esquire  
AT&T Communications of the South Central States, Inc.  
1200 Peachtree Street N.E.  
Room 4060  
Atlanta, Georgia 30309

Charles B. Welch, Jr., Esquire  
Farris, Mathews, Gilman, Branan & Hellen, P.L.C.  
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425 Fifth Avenue, North  
Nashville, Tennessee 37243-0500

Henry Walker, Esquire  
Attorney for ACSI & NextLink  
Boult, Cummings, Connors & Berry  
P.O. Box 198062  
Nashville, Tennessee 37219

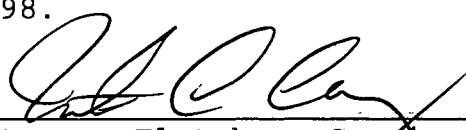
Dana Shaffer, Esquire  
NextLink Tennessee, LLC  
105 Malloy Street, Suite 300  
Nashville, Tennessee 37201



Jon E. Hastings, Esquire  
Boult, Cummings, Conners & Berry  
P. O. Box 198062  
Nashville, Tennessee 37219

Michael R. Knauff  
Tennessee Power Company  
4612 Maria Street  
Chattanooga, Tennessee 37411

This 40 day of September, 1998.

  
\_\_\_\_\_  
Strang, Fletcher, Carriger, Walker  
Hodge & Smith, PLLC

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IN RE:

APPLICATION OF ELECTRIC	)	
POWER BOARD OF CHATTANOOGA	)	
FOR A CERTIFICATE OF PUBLIC	)	Docket No. 97-07488
CONVENIENCE AND NECESSITY	)	
TO PROVIDE INTRASTATE	)	
TELECOMMUNICATIONS SERVICES	)	

DIRECT TESTIMONY OF ROBERT W. NYSWANER,  
CHIEF FINANCIAL OFFICER  
OF  
GLOBE TELECOMMUNICATIONS, INC.

FILED ON BEHALF OF  
THE ELECTRIC POWER BOARD OF CHATTANOOGA, TENNESSEE

September 3, 1998

1 Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

2 A. My name is Robert W. Nyswaner. I am Chief Financial Officer  
3 of Globe Telecommunications, Inc. (which I will refer to as  
4 "Globe Telecommunications") and my business address is 1239  
5 O.G. Skinner Drive, West Point, Georgia.  
6

7 Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE AND BACKGROUND.

8 A. I graduated from Waynesburg College in 1969 with a Bachelor of  
9 Science degree in Accounting. Upon graduating from Waynesburg  
10 College, I joined Arthur Andersen & Company in Baltimore,  
11 Maryland and spent four years in the Auditing Division. I  
12 joined Contel in 1973 as the Eastern Region Assistant  
13 Controller. From 1973 until 1992, I assumed various positions  
14 within this \$2 billion firm, including Controller for the  
15 Central Region, Assistant Vice-President Revenues for the  
16 Central Region, and Vice-President Revenues for Telephone. In  
17 1982, I was appointed CFO and Executive Vice-President  
18 Business Development for Contel's Telephone Sector. In this  
19 capacity, I was responsible for the Company's Finance,  
20 Business Planning, Acquisitions and Mergers, Information  
21 Services, Carrier Marketing and Sales, Regulatory Management  
22 and Tariff Administration divisions for 42 subsidiaries  
23 operating within 30 states including Tennessee. In 1992, GTE  
24 acquired Contel, and I participated in various post-merger  
25 transition activities until 1994. I joined Interstate  
26 Telephone as its CFO in June of 1995. In this capacity I am  
27 responsible for the financial, regulatory and general business

1 activities for Interstate Telephone, Valley Telephone, and  
2 Globe Telecommunications. Interstate Telephone and Valley  
3 Telephone provide local telecommunications services in Alabama  
4 and Georgia serving approximately 13,300 customers and 5,600  
5 customers in Alabama and Georgia respectively. Globe  
6 Telecommunications also provides local telecommunications  
7 services in Georgia and provides services such as equipment  
8 sales, private branch exchange maintenance and interstate toll  
9 to the telephone customers and certain deregulated services to  
10 areas near to our telephone exchanges.  
11

12 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE TENNESSEE REGULATORY  
13 AUTHORITY?

14 A. No. While I did have the opportunity to testify before the  
15 Tennessee Public Service Commission, this is my first  
16 opportunity to testify before the Tennessee Regulatory  
17 Authority.  
18

19 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY OTHER REGULATORY  
20 AUTHORITIES?

21 A. Yes. In addition to testifying before the Tennessee Public  
22 Service Commission, I have testified before state regulatory  
23 agencies in Alabama, Georgia, Illinois, Indiana, Kansas,  
24 Missouri and Minnesota. I have also testified before the  
25 Federal Communications Commission.  
26

1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

2 A. The purpose of my testimony is to furnish the Tennessee  
3 Regulatory Authority with testimony in support of the Electric  
4 Power Board's application for a Certificate of Public  
5 Convenience and Necessity to provide Intrastate  
6 Telecommunications Services, which was filed on October 21,  
7 1997. In my testimony, I will (1) describe the corporate  
8 structure of Globe Telecommunications; (2) describe the  
9 technical and managerial resources of Globe  
10 Telecommunications; and (3) describe the contractual  
11 relationship between Globe Telecommunications and the Electric  
12 Power Board. My testimony will show that Globe  
13 Telecommunications will supplement the technical and  
14 managerial abilities of the Electric Power Board to provide  
15 the applied-for services.

16  
17 Q. PLEASE DESCRIBE GLOBE TELECOMMUNICATIONS'S CORPORATE  
18 STRUCTURE.

19 A. Globe Telecommunications is a wholly owned subsidiary of ITC  
20 Holding Co., Inc. a privately held Georgia corporation located  
21 in West Point, Georgia. Globe Telecommunications is a Georgia  
22 corporation and is a certified local exchange carrier in the  
23 State of Georgia, providing local exchange services in the  
24 cities of Newnan and LaGrange. Globe Telecommunications also  
25 offers equipment sales and service in Alabama and Georgia.  
26 Interstate Telephone and Valley Telephone are wholly owned

1 subsidiaries of ITC Holding with authority to provide local  
2 exchange services in Alabama and Georgia.

3  
4 Q. PLEASE DESCRIBE GLOBE TELECOMMUNICATIONS' TECHNICAL AND  
5 MANAGERIAL QUALIFICATIONS TO OPERATE A LOCAL TELEPHONY  
6 NETWORK.

7 A. Globe Telecommunications has assembled a talented management  
8 team with expertise in the field. Exhibit RWN-1 attached to  
9 this testimony shows profiles of Globe Telecommunications'  
10 management team. In sum, Globe Telecommunications' officers  
11 and key management employees possess expertise and knowledge  
12 in all aspects of telephone operations. Further, Globe's  
13 senior management has successfully participated in the  
14 establishment of a facilities-based competing local exchange  
15 carrier with BellSouth as the incumbent.

16  
17 Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN GLOBE  
18 TELECOMMUNICATIONS AND THE ELECTRIC POWER BOARD.

19 A. The Electric Power Board requested proposals from qualified  
20 telecommunications providers to assist the Electric Power  
21 Board in the purchase and/or lease of telephone digital  
22 switching capacity, the provision and necessary training  
23 required to supply EPB with telephone billing capability and  
24 customer service capability and to assist the Electric Power  
25 Board in the further development of its fiber optics network  
26 and related electronics as a part of a distribution and

1 transport system. Globe Telecommunications responded to that  
2 request and offered to make available its substantial  
3 expertise in the development and operation of local telephone  
4 exchanges and in the development and operation of a fiber  
5 optics network. Following negotiations between the parties,  
6 Globe Telecommunications and the Electric Power Board have  
7 entered into a long-term agreement under which Globe  
8 Telecommunications will assist the Electric Power Board in  
9 establishing the Electric Power Board's telephone operations  
10 as a competing local exchange provider. Globe  
11 Telecommunications will supplement the Electric Power Board's  
12 existing managerial and technical abilities in providing  
13 telecommunications services.

14  
15 Q. PLEASE DESCRIBE THE RESPONSIBILITIES OF GLOBE TELECOMMUNICA-  
16 TIONS UNDER THIS AGREEMENT.

17 A. Under the agreement with the Electric Power Board, Globe  
18 Telecommunications is responsible for: (1) the purchase,  
19 installation, operation, and maintenance of the DMS switch for  
20 the Electric Power Board's Telecommunications Division; (2)  
21 the provisioning of certain customer support services related  
22 to the switch, including service activation and provisioning,  
23 line and Centrex administration, and equipment record keeping;  
24 (3) providing billing services (including assisting the  
25 Electric Power Board's Customer Service Department in  
26 accessing this billing system); (4) providing consultation to

1 the Electric Power Board across its telecommunications  
2 operations; and (5) providing certain dedicated employees to  
3 the Electric Power Board.  
4

5 Q. PLEASE DESCRIBE THE CONSULTING SERVICES THAT GLOBE  
6 TELECOMMUNICATIONS WILL PROVIDE TO THE ELECTRIC POWER BOARD.

7 A. In general, the agreement with the Electric Power Board  
8 requires Globe Telecommunications to provide the Electric  
9 Power Board with such consultation as is necessary for the  
10 development and operation of the Electric Power Board's start-  
11 up business. Globe Telecommunications will also provide  
12 consultation to the Electric Power Board in many specific  
13 areas including (1) the design and development of the Electric  
14 Power Board's fiber optics network; (2) the selection of all  
15 toll products; (3) the design, development, and deployment of  
16 switched data services over the fiber optics network; (4) the  
17 selection and development of products to be offered; (5) the  
18 development and implementation of customer service and  
19 customer care policies; (6) the design of an operations center  
20 for the Telecommunications Division; (7) interconnection  
21 arrangements; and (8) business launch implementation.  
22

23 Q. PLEASE DESCRIBE THE EMPLOYEES THAT GLOBE TELECOMMUNICATIONS  
24 WILL DEDICATE TO THE ELECTRIC POWER BOARD'S TELECOMMUNICATIONS  
25 OPERATION.



1 A. Globe Telecommunications will provide the following full-time  
2 employees for the Electric Power Board's Telecommunications  
3 Division: (1) a project manager to consult with the Electric  
4 Power Board in overseeing and directing the day-to-day  
5 telecommunications operation; (2) a customer support  
6 supervisor to consult with the Electric Power Board in  
7 overseeing and directing the day-to-day customer support and  
8 customer service aspects of the telecommunications operation;  
9 and (3) two switch maintenance technicians to provide for the  
10 day-to-day operation and maintenance of the switch.  
11

12 Q. WILL THESE EMPLOYEES BE LOCATED IN CHATTANOOGA, TENNESSEE?

13 A. Yes.  
14

15 Q. PLEASE DESCRIBE YOUR INVOLVEMENT IN THE ELECTRIC POWER BOARD'S  
16 TELECOMMUNICATIONS OPERATIONS.

17 A. I will be responsible for the management of the Globe  
18 Telecommunications' project coordinator, customer support  
19 supervisor, and two switch technicians to provide assistance  
20 to the Electric Power Board in that regard. I will be very  
21 involved in trying to ensure the success of the Electric Power  
22 Board's telecommunications operation by participating in the  
23 business planning. In fact, Globe Telecommunications has  
24 every incentive to ensure that the Electric Power Board's  
25 operation succeeds. Under the terms of its agreement with the  
26 Electric Power Board, Globe Telecommunications is obligated to

1       invest a large amount of capital in the switch and faces  
2       substantial expense for the additional services and personnel  
3       that it will provide, but there is incentive compensation  
4       available to Globe Telecommunications, which is dependent upon  
5       the financial success of the Electric Power Board's  
6       Telecommunications Division. Other members of the senior  
7       management team of Globe Telecommunications share my  
8       sentiments, and we will be actively involved to lend our  
9       experience and expertise to the Electric Power Board to ensure  
10      the success of this venture.

11  
12      Q.    PLEASE SUMMARIZE YOUR TESTIMONY.

13      A.    Globe Telecommunications has substantial experience as a  
14      competitive local exchange carrier. Under the terms of its  
15      agreement with the Electric Power Board, Globe  
16      Telecommunications supplements the existing managerial and  
17      technical abilities of the Electric Power Board to provide the  
18      applied-for services. Should this Authority allow the  
19      Electric Power Board entry into the telecommunications market,  
20      we will assist the Electric Power Board in providing its  
21      telecommunications customers with a greater choice of  
22      services, reduced rates, and improved levels of service.

23  
24      Q.    DOES THIS CONCLUDE YOUR TESTIMONY?

25      A.    Yes.

26      85930 01

# **EXHIBIT RWN-1**

## **BIOGRAPHICAL INFORMATION GLOBE TELECOMMUNICATIONS, INC.**

**C. Michael Gragg - President and Chief Operating Officer** - A native of Nashville, Tennessee, worked in the telecommunications industry for 25.5 years within the BellSouth family of companies (including assignments in AT&T prior to the breakup of the Bell System). Prior to joining ITC as Vice President Market Development for InterCel in 1993, served as General Manager - Operations for Kentucky and Tennessee with BellSouth Communication Systems. In March of 1994, was named President & Chief Operating Officer of Interstate/Valley Telephone.

Currently serve as a director on the following boards: Chattahoochee Valley Educational Foundation, Greater Valley Area Chamber of Commerce, Lanier Memorial Hospital, Riverside Country Club, and Valley National Bank.

Serves as a deacon at Spring Road Christian Church and is actively involved in "Helping Hands", part of the Chamber of Commerce Partners in Education Program, working with special education students and teachers in Chambers County, Lanett, and West Point.

**Robert W. Nyswaner - Chief Financial Officer**, Graduated from Waynesburg College in 1969 with a Bachelor of Science degree in Accounting. Upon graduating from Waynesburg College, joined Arthur Andersen & Co. in Baltimore, Maryland and spent four years in the Auditing Division. Joined Contel Corporation in 1973 as the Eastern Region Assistant Controller. From 1973 until 1992, held various positions within this \$3 billion firm including Controller for the Central Region, Assistant Vice-President Revenues for the Central Region, Vice-President Revenues Telephone, etc. In 1992, was appointed Chief Financial Officer and Executive Vice-President Business Development for Contel's Telephone Sector. In this capacity, was responsible for Finance, Business Planning, Acquisitions and Mergers, Information Services, Carrier Marketing and Sale, Regulatory Management and Tariff Information Services, Carrier Marketing and Sales, Regulatory Management and Tariff Administrations for forty-two subsidiaries operating within thirty states. In 1992, GTE acquired Contel and participated in various post-merger transition activities until 1994. In June 1995, joined Interstate Telephone Company as its' Chief Financial Officer. As Chief Financial Officer, responsible for the financial, regulatory and general business activities for Interstate Telephone, Valley Telephone, and Globe Telecommunications.

**Allen E. Sikes - Vice President Customer Services**, joined ITC family of companies in September 1994, as Service Center/Transmission Manager, with 15 years experience in telecommunications industry. Previously with AllTel Georgia/Contel Georgia, serving in numerous management positions ranging

from local operations (switching/networks/installation/repair) to statewide responsibilities for all customer service functions (centralized call centers/facilities/billing). Promoted to Vice-President Customer Service in November 1996. Responsible for call center, service center, billing, and MIS.

**Danny C. Gauntt, Vice President Outside Plant Operations**, joined ITC in 1979 and has served in numerous technical and management positions. Previously served as director-outside plant services for Interstate/Valley. Is heavily involved in the strategic planning and implementation processes as Interstate/Valley expands its scope of operations. As Vice President-Outside Plant Operations, his responsibilities include cable facility design, installation and maintenance, equipment installation and repair, purchasing and warehousing, and building and grounds maintenance services.

**Jerry L. Neal, Vice President Network Operations**, Prior to joining Interstate/Valley, served as vice president-operations for Async Corp. and as manager-network planning for Contel in Atlanta. In November, 1993 joined Interstate/Valley Telephone as director of switching technology and services. In January, 1995, promoted to VP Network Operations and manages all functions associated with technical operations for switching, technology selection, local network operations, PC, software and computer networking functions.

**Lana Christenberry, Vice President Marketing** - Prior to joining ITC, Christenberry served as branch manager, Southeast National Accounts for Sprint. At Sprint, she also served in numerous positions including Director, Southern Region - Government Systems Division; national account manager, and branch customer support manager. Was also an employee of SoutherNet in Atlanta for five years, as manager of special operations where she developed a department to handle the newly formed Major Accounts Sales Branch. As Vice-President of Marketing for Interstate/Valley Telephone and Globe Telecommunications, she is responsible for marketing efforts in Newnan, Ga. and other communities as the company launches local businesses.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing pleading on behalf of the Electric Power Board of Chattanooga, via United States mail, first class postage prepared and properly addressed to the following:

Dennis P. McNamee, Esquire  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

Guy M. Hicks, General Counsel  
BellSouth Communications, Inc.  
333 Commerce Street  
Suite 2101  
Nashville, Tennessee 37201-3300

Val Sanford, Esquire  
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AT&T Communications of the South Central States, Inc.  
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Charles B. Welch, Jr., Esquire  
Farris, Mathews, Gilman, Branan & Hellen, P.L.C.  
2400 Nashville City Center  
511 Union Street  
Nashville, Tennessee 37219

Vance L. Broemel, Esquire  
Assistant Attorney General  
Consumer Advocate Division  
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Second Floor  
425 Fifth Avenue, North  
Nashville, Tennessee 37243-0500

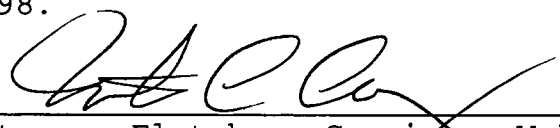
Henry Walker, Esquire  
Attorney for ACSI & NextLink  
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Nashville, Tennessee 37219

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Jon E. Hastings, Esquire  
Boult, Cummings, Conners & Berry  
P. O. Box 198062  
Nashville, Tennessee 37219

Michael R. Knauff  
Tennessee Power Company  
4612 Maria Street  
Chattanooga, Tennessee 37411

This 4<sup>th</sup> day of September, 1998.

  
\_\_\_\_\_  
Strang, Fletcher, Carriger, Walker  
Hodge & Smith, PLLC

BEFORE THE  
TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IN RE:

APPLICATION OF ELECTRIC	)	
POWER BOARD OF CHATTANOOGA	)	
FOR A CERTIFICATE OF PUBLIC	)	Docket No. 97-07488
CONVENIENCE AND NECESSITY	)	
TO PROVIDE INTRASTATE	)	
TELECOMMUNICATIONS SERVICES	)	

DIRECT TESTIMONY OF DOUGLAS A. DAWSON  
OF  
COMPETITIVE COMMUNICATIONS GROUP, L.L.C.

FILED ON BEHALF OF  
THE ELECTRIC POWER BOARD OF CHATTANOOGA

September 3, 1998



1 Q. PLEASE STATE YOUR NAME, COMPANY AND BUSINESS ADDRESS.

2 A. My name is Douglas A. Dawson, and I am a principal with the  
3 firm Competitive Communications Group L.L.C. ("CCG"), located  
4 at 6811 Kenilworth Ave., Suite 302, Riverdale, Maryland,  
5 20737.

6  
7 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

8 A. The purpose of my testimony is three-fold. First I will  
9 discuss my qualifications and that of CCG to support the  
10 Electric Power Board of Chattanooga ("EPB" or "Power Board")  
11 in launching its competitive local exchange carrier operation.  
12 Second, I will discuss the business planning processes and the  
13 financial modeling that has been developed for, and in  
14 conjunction with, the Power Board. This discussion will  
15 demonstrate that the Power Board has already taken steps that  
16 demonstrate their management ability to operate a telephone  
17 operation from a managerial and technical standpoint. Third,  
18 I will discuss the steps the Power Board has taken to ensure  
19 that telecommunications will not be subsidized by the existing  
20 electric operations.

21  
22 Q. WHAT IS YOUR BACKGROUND?

23 A. Prior to CCG, my most recent job was as the Staff Director of  
24 Special Studies at John Staurulakis, Inc. (JSI). JSI was  
25 primarily involved in the telephone cost accounting process

1       whereby all costs are "separated" into jurisdictions, most  
2       importantly, interstate and state, so that costing, pricing,  
3       earnings and revenue settlement plans can be calculated.  
4       There I oversaw all projects that were not historically part  
5       of JSI's core telephone separations business. I worked there  
6       to assist clients for such projects as the analysis and  
7       implementation of becoming a toll re-seller; the development  
8       of optional toll and local calling plans; studying and  
9       implementing traditional EAS and Measured EAS plans,  
10      feasibility studies and the implementation of new internet  
11      subsidiaries; embedded, marginal and incremental cost studies  
12      for products and services; local rate case preparation and  
13      defense; development of lease rates for external sale and  
14      among subsidiaries; cross-subsidy studies determining the  
15      embedded overlap between telephone services; and the analysis  
16      of the potential impact of competition on rural LECs.

17  
18      In my last year or so at JSI, I assisted a number of companies  
19      who were entering the newly created competitive local exchange  
20      market. I negotiated a number of interconnection agreements  
21      with various Regional Bell Operating Companies, negotiated  
22      collocation agreements, created a set of simplified toll,  
23      access and local tariffs designed for the need of Competing  
24      Local Exchange Carriers ("CLECs"), assisted several CLECs in  
25      pricing and costing, and advised new CLEC in operational

1 planning and CLEC implementation. Prior to that, I worked at  
2 JSI as a manager in the separations department supervising the  
3 completion of FCC Part 36/69 toll cost studies. In that  
4 capacity, I completed and supervised the completion of a large  
5 number of separations studies, calculated the access charge  
6 rates for Interstate and State access charge tariffs, and  
7 rewrote the JSI Part 36/69 allocator into a windows-based  
8 spreadsheet. I also taught a number of classes for continuing  
9 education credit, most notably classes in Part 32 accounting  
10 practices, telephone separations, and budgeting and planning.  
11

12 Prior to that, I had operational experience as Director of  
13 Revenues and Regulatory for CP National in Concord,  
14 California, which was subsequently acquired by ALLTEL. There,  
15 I oversaw a large group that performed telephone accounting,  
16 separations and traffic studies for a seven-state area. My  
17 group also monitored earnings, filed rates and tariffs  
18 including rate cases, developed access and tariff rates, and  
19 monitored and commented in state and federal regulatory  
20 proceedings. I testified in a number of rate cases and  
21 regulatory proceedings in California, Nevada, Oregon and New  
22 Mexico. While at CP National, I also was responsible for  
23 earnings monitoring and rate case development for electric,  
24 gas and water properties.  
25

1 Prior to that, I worked as Staff Manager in Industry Relations  
2 at Southwestern Bell in St. Louis Missouri. My functions  
3 there included tracking issues that impacted Bell's  
4 relationships with the independent telephone industry,  
5 calculating and negotiating various interconnection and  
6 settlement rates between companies for EAS and other  
7 arrangements, and the overseeing of the review of independent  
8 telephone company's traffic and toll cost studies. I also  
9 served a stint as a member of the rate case team for the  
10 Missouri operations.

11  
12 Prior to that, I began my career at John Staurulakis, Inc.  
13 performing FCC Part 67 separations studies. I received a  
14 Bachelor of Science in Accounting from the University of  
15 Maryland in 1977 and received a Masters of Mathematics from  
16 the University of California at Berkeley in 1985.

17  
18 Q. WHAT ARE THE PRIMARY COMPETENCIES OF CCG?

19 A. As of August 1998, CCG has seventeen (17) employees. We  
20 assist companies in all phases of entering the competitive  
21 local telephone market, including financial and market  
22 planning and feasibility studies, regulatory certification,  
23 interconnection negotiations, assessing the costs and benefits  
24 of various technologies, developing partnership opportunities,  
25 and all facets of business implementation. Our implementation

1 assistance includes such things as detailed project management  
2 using Gantt charts; getting CLECs into all of the appropriate  
3 databases such as the Local Exchange Routing Guide ("LERG");  
4 implementing 911; advising on customer billing and network  
5 protocol implementation; implementing carrier access billing;  
6 training for customer service representatives in procedures  
7 and telephone products; training for the sales team;  
8 developing compensation plans for the sales team; designing  
9 marketing and sales programs; pricing of products and  
10 comparative analysis of competition; developing costs of  
11 telephone services; writing and filing local, toll and access  
12 tariffs, and a number of other smaller steps required for  
13 companies to get into the business. Of the fourteen (14) non-  
14 principal employees, one was director of billing and customer  
15 service for a large facilities-based CLEC, one was director of  
16 marketing for a mid-sized publicly traded telecommunications  
17 holding company, one spent twenty years managing small  
18 telephone companies, one has three years experience with the  
19 Iowa Utilities board specializing in telecommunications and  
20 Long Run Incremental Cost issues, one has a degree in human  
21 resource management, one has a Masters Degrees in  
22 Telecommunications, and two have Masters Degrees in Economics.

23  
24 We feel we have an extremely well rounded staff and are  
25 qualified to assist companies with the managerial, operational

1 and technical issues associated with becoming competitive  
2 local exchange carriers. We believe we are the only  
3 consulting firm which is focusing entirely on the particular  
4 issues surrounding CLEC creation and implementation. We are  
5 currently assisting approximately seventy-five (75) CLECs in  
6 various stages of the process of getting into the competitive  
7 telecommunications business. There are a number of different  
8 types of companies becoming CLECs among our clients:  
9 independent telephone companies, other electric companies,  
10 cable TV companies, interexchange carriers, internet service  
11 providers, winners of the LMDS wireless licenses, existing  
12 Competing Access Providers ("CAPs"), Indian tribes, and new  
13 start-up companies with no utility affiliation.

14  
15 Resumes for the other two principals of CCG are attached to  
16 this testimony as Exhibit DAD-1.

17  
18 Q. WHAT IS YOUR SPECIFIC ROLE AT CCG?

19 A. I am in charge of the CLEC implementation team; I supervise  
20 the regulatory and tariff group; I personally do the all of  
21 the accounting development and advisory work; I personally do  
22 strategic planning work for companies trying to plan the best  
23 path for future growth; and I am in charge of all of the  
24 costing and pricing work that we do. I am in the process of  
25 developing an unbundling study for the use by electric

1 companies in their upcoming introduction to competition. I am  
2 also developing products designed for the use of companies who  
3 have won the recent LMDS licenses useful as alternatives to  
4 wire loops for telephony and data delivery.

5  
6 The implementation team does the work mentioned in the answer  
7 to the previous question. The regulatory team is responsible  
8 for writing and filing local, toll and access tariffs. In our  
9 regulatory work, we also do tariff research, including rate  
10 and policy research for CLECs. In our strategic planning  
11 process, we help companies by defining many of the possible  
12 paths for future business growth and development, and we  
13 quantify the potential returns from each of the various future  
14 paths. We have a unique costing product that allows companies  
15 to study the costs of all products and services, a process  
16 that is not routinely undertaken by most telephone companies.  
17 We have also done a number of cost studies for companies to  
18 price out specific products or processes for such things as  
19 operator services, directories, optional toll and long  
20 distance plans and products, lease costs for floor space,  
21 tower and right-of-ways, and individual products like T1s,  
22 ISDN and switched data.

23  
24 In the area of telephone accounting, I have helped a number of  
25 companies find ways to integrate telephone accounting into

1        their current accounting systems. I've done this for Cable TV  
2        companies, CAPs, electric companies and a number of telephone  
3        companies. Each industry, and each company, always faces a  
4        unique challenge in integrating a major new product like  
5        telephony into their accounting systems.

6  
7        Q.    WHAT SPECIFIC ASSISTANCE HAVE YOU GIVEN TO THE POWER BOARD?

8        A.    We have done a number of things to assist the Power Board to  
9        get to this stage of the process of getting into the  
10       competitive telephone business. Some of the things we have  
11       done include:

12       1.    A detailed financial feasibility study showing the  
13       potential revenues and costs of being in the telephone  
14       business. This was a detailed study that explored the  
15       various possible CLEC business plans including resale,  
16       the use of unbundled network elements, a total facility  
17       over-build, and combinations of each. Sales and revenues  
18       in our model were developed using a bottoms-up approach  
19       whereby customers are acquired slowly over time using the  
20       sales performance of salesmen. Expenses were developed  
21       using an organization chart and the expenses are fairly  
22       detailed by function.

23       2.    A market research study identifying the major business  
24       opportunities in Chattanooga. This study researched the  
25       individual businesses residing within the various



1 BellSouth serving wire centers, and classified all  
2 business by major SIC code as to the type of business  
3 each was engaged in.

4 3. Helping the Power Board issue a request for proposal  
5 (RFP) to find suitable vendors for switching, customer  
6 service, network design and operations. During this  
7 process we assisted EPB in designing specifications  
8 required for the various functions, assisted EPB in  
9 analyzing and ranking the various RFP responses, assisted  
10 them in interviewing each finalist in the process, and  
11 finally in selecting the best candidate, Globe  
12 Telecommunications.

13 4. Assisting EPB in negotiating the terms of the  
14 relationship with Globe.

15 5. Assisting EPB in developing a detailed Part 32 chart of  
16 accounts and in modifying the current electric accounting  
17 system to make telephone accounting possible.

18 6. Began the negotiation process with BellSouth for  
19 interconnection, now in process.

20 7. Developing an organizational chart showing the staffing  
21 required to implement the telephone business plan.

22 8. Creating a Gantt chart outlining the hundreds of steps  
23 necessary to implement the telephone operations.

24 9. Marketing research to identify the rates and offerings of  
25 BellSouth and the other competitors in Chattanooga.

1           10. Identifying the key telephony regulatory issues that are  
2           of most importance to being in the CLEC business.

3           11. Assisting EPB in analyzing the network potential for the  
4           current fiber ring, and in designing the best way to  
5           build future network.

6  
7    Q.    WOULD YOU SAY THAT THE POWER BOARD HAS DEMONSTRATED THE  
8           MANAGERIAL EXPERTISE NECESSARY TO BE SUCCESSFUL IN THE  
9           TELEPHONE BUSINESS?

10   A.   Yes. I believe so for several reasons. First, EPB management  
11          is very competent in running the current electric business.  
12          I have been very impressed by their professionalism and by  
13          their commitment to do everything in a class way. They do not  
14          take short cuts and they take the time to do things right.  
15          They are very customer focused and service oriented, an  
16          outlook that we believe is essential for a player in  
17          competitive telephony.

18  
19          However, I'm also impressed by the fact that EPB management  
20          did not hesitate to identify those technical areas of  
21          telephony where EPB lacks specific experience or skills, and  
22          they have taken the steps necessary to hire, train or contract  
23          to bring these skills and talents to bear for the new venture.  
24          They have already taken a number of steps that will go a long  
25          way to ensure that the new venture is successful. I think

1       foremost is the decision to seek an outside party to assist  
2       them in the very technical fields of switching, billing and  
3       customer service. I think their decision to contract with  
4       Globe Telecommunications demonstrates their commitment to  
5       launch telephony in the most efficient and professional manner  
6       possible. By contracting with Globe to perform many of the  
7       back office functions for the first number of years of the new  
8       launch, they have freed themselves up to concentrate on other  
9       major portions of the telephone operation including network  
10      build-out and management, sales and marketing, and overall  
11      management. Their overall plan is to concentrate on those  
12      tasks they feel ready to perform now, to learn the other  
13      technical processes by working alongside of Globe, with the  
14      eventual goal of operating the operation completely on their  
15      own.

16  
17      Q.   WHAT STEPS HAS THE POWER BOARD TAKEN TO DEMONSTRATE THAT THEY  
18           WILL HAVE THE TECHNICAL EXPERTISE REQUIRED TO SUCCESSFULLY  
19           OPERATE A TELEPHONE COMPANY?

20      A.   The Power Board has taken a number of concrete steps to  
21           develop the expertise needed to be successful in the business.  
22           Again, foremost among these steps was the decision to contract  
23           with Globe, so that some technical processes like switching  
24           and billing are performed initially by a staff with great  
25           expertise.

1  
2 EPB already possesses a talented internal engineering and  
3 construction team with long-term experience in outside plant  
4 operations. They have great experience in planning and  
5 constructing outside plant routes in a variety of  
6 circumstances, including the back office functions of design,  
7 mapping, and the creation of databases to track assets. They  
8 also already possess groups who are adept at such functions as  
9 network monitoring, taking trouble reports from customers and  
10 responding to problems, and working in adverse conditions to  
11 bring customers back to service during outages. EPB  
12 constructed the beginnings of a fiber optics network a few  
13 years ago to satisfy their own internal communications needs,  
14 and the current engineering staff has already been trained in  
15 the nuances of operating and maintaining fiber optics.

16  
17 Q. DO YOU THINK THE POWER BOARD CAN ENSURE THAT THE TELEPHONE  
18 OPERATIONS WILL NOT BE SUBSIDIZED BY THE ELECTRIC OPERATIONS?

19 A. Yes. As a consultant I have worked with a number of different  
20 regulated companies, from electric companies, to cable TV  
21 companies, and of course, a large number of telephone and  
22 related companies. I am very impressed by the current EPB  
23 accounting system. First, they currently follow FERC  
24 accounting, which is the prescribed chart of account and  
25 accounting methods for electric companies. FERC accounting

1 has a large number of similarities to FCC part 32 accounting,  
2 in that it is very detailed, uses various clearing accounts to  
3 allocate costs to departments, and has very similar rules for  
4 capturing the capitalization of labor and other expenses  
5 associated with construction. EPB has made a major effort to  
6 comply with the FERC rules completely, and their accounting  
7 system is complex, yet very accurate. EPB is able to capture  
8 costs, allocate those costs as required by the rules, and yet  
9 still maintain an accounting trail that identifies the  
10 original source of each cost. I have only seen such detailed  
11 accounting in a few larger holding companies, and such  
12 attention to detail is unusual in most utilities that I have  
13 looked at over the years.

14  
15 EPB has decided to use FCC Part 32 accounting, even though it  
16 is not required by the Telecommunications Act of 1996. I  
17 believe they have made this decision so that they can be  
18 certain to comply with any regulatory reporting requirements,  
19 and so that they can produce results that are comparable with  
20 the rest of the telephone industry. The large majority of  
21 CLECs are not electing to use Part 32 accounting.

22  
23 EPB has already expended major effort to create a chart of  
24 accounts for Part 32, to identify those places where Part 32  
25 differs from FERC accounting, and to determine ways to comply

1 with part 32 while continuing to comply with FERC. I have  
2 been through this process in great detail with the EPB  
3 accountants, and they have devised accounting modifications  
4 that will very clearly allow the separate identification and  
5 tracking of telephone costs and electric costs.

6  
7 They have set in place accounting processes which will not  
8 only allow the capture and tracking of direct costs for each  
9 division, but they have designed a common sense solution for  
10 allocating all of the other various joint and common costs  
11 used by the two divisions. From an asset perspective, they  
12 have modified their very detailed work order system in order  
13 to be able to construct electric assets, telephone assets,  
14 joint assets used by both divisions, and even work orders that  
15 will contain assets from each division. In the few places  
16 where the accounting system will not automatically capture and  
17 assign the joint costs associated with telephony, they will  
18 put in place mechanisms that will ensure that the telephone  
19 division will receive a full allocation of any joint cost.

1 Finally, EPB has taken the important step of creating a  
2 separate division for telephony, a step that makes the  
3 separation of costs much easier. Any employees or cost  
4 dedicated to the new telephone operation will be recognized  
5 directly on the separate ledger of the new telephone division.  
6 The accounting system, as described above, is then well geared  
7 to capture and allocate the joint and common costs from  
8 employees and processes not part of the telephone division.

9 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

10 A. Yes.

11 86231.02

# **EXHIBIT DAD-1**



## RESUME OF WILLIAM H. TUCKER

As principal, William H. Tucker's primary responsibilities at Competitive Communications Group are Competitive Local Exchange Carrier (CLEC) market and financial assessment, development and operational implementation, Marketing Plans and Implementation and Employee Training Programs.

Mr. Tucker's experience includes his position as Director of Business Development for John Staurulakis, Inc. (JSI), with overall responsibilities for strategic and tactical planning to assist clients in assessing growth opportunities as they move into a competitive telecommunications environment. Mr. Tucker was specifically responsible for CLEC assessment and implementation, as well as toll resale assessment, marketing and strategic planning. Mr. Tucker joined JSI in January 1996.

Before joining JSI, Mr. Tucker was Director for Business Development for Frontier Corporation (previously Rochester Telephone Corp.), with responsibilities for implementation of new business opportunities, business plans and multi-company strategic partnering, including the turn key establishment of Frontier's first full scale "one-stop shop" Competitive Local Exchange Carrier (CLEC) operation.

With respect to the CLEC operation, Mr. Tucker oversaw or directly developed business cases supporting initial market entry, coordinated contracts, implemented the overall marketing plans, including pricing, margin analysis, advertising, sales quotas, etc., and had accountability for operational issues such as billing and customer service.

Mr. Tucker also has operational experience as the General Manager for all North Dakota operations with Frontier. This included complete P&L responsibility for local telephone operations (25,000 access lines), a long distance division and an equipment sales and servicing division, including paging service and cellular equipment/sales. During that time, Mr. Tucker re-engineered the residential and business customer service departments, the business sales and support group, and implemented quarterly marketing programs and product promotions to enhance the sales environment. This led to increased answer time performance, and dramatically increased CCF, voice mail, wire maintenance, Centrex and other product sales.

Mr. Tucker also has a regulatory and finance background within the telecommunications industry. This includes experience in developing rate cases, testifying on a variety of regulatory issues such as Price Caps, ONA, and statewide access charges in Wisconsin, Illinois, Pennsylvania and North Dakota; performing benchmark financial performance criteria against industry peer groups; and developing pricing / costing models for Frontier's subsidiary telephone companies to increase revenues and margins.

Mr. Tucker received a Bachelor of Business Administration Degree with concentrations in marketing and finance from the University of Notre Dame in 1981, and a Masters of Business Administration Degree from State University of New York at Buffalo in 1987.

## RESUME OF MICHAEL S. FOX

As principal, Michael S. Fox's primary responsibilities at Competitive Communications Group are, Business Planning Assessment, PCS financial and market assessment, Regulatory Support Services and Industry Relations Coordinator, and CCG Product Development and Marketing.

In his most recent position prior to CCG, as Director, Regulatory Affairs for John Staurulakis, Inc. (JSI) Michael S. Fox assisted independent telephone companies on various regulatory, strategic planning, policy and business management aspects of the telecommunications industry.

Prior to joining JSI, Mr. Fox was employed by Century Telephone Enterprises, Inc. (Century) as Director, Regulatory Affairs. In this capacity, Mr. Fox was responsible for directing all regulatory activity for Century's operating telephone subsidiaries. Mr. Fox was also the Chairman of the Louisiana Telephone Association regulatory committee and was a leader in many industry efforts involving telephone companies in Louisiana and other states.

Mr. Fox has testified before regulatory commissions in various proceedings in Arkansas, Colorado, Idaho, Indiana, Louisiana, Michigan, Minnesota, New Jersey, New Mexico, Tennessee and Wisconsin. In addition, Mr. Fox has represented independent telephone companies in formal and informal proceedings before the Federal Communications Commission (FCC) and state regulatory commissions in numerous states, including Arizona, Arkansas, Colorado, Idaho, Indiana, Kansas, Louisiana, Michigan, Mississippi, New Mexico, New Jersey, Ohio, Pennsylvania, Texas, Tennessee, Vermont and Wisconsin. Mr. Fox has represented (including expert testimony) independent telephone companies before these state commissions on numerous regulatory issues, including alternative regulation initiatives, authorized rates of return (return on equity return on total rate base and cost of capital considerations), capital recovery considerations, local and access rate design, new and enhanced regulated and non-regulated service offerings, and rate case planning.

Mr. Fox began his telecommunications career with Mountain Bell Telephone Company. He later worked for United Telecommunications, Inc. (United) and held various management positions with United (now Sprint), including Manager - LMS Development, Manager - Separations and Staff Manager - Revenue Planning. In 1989 Mr. Fox joined Kansas Independent Networks, Inc. (KINI) as Manager of Customer/Industry Relations. As part of the senior management team at KINI, he was involved in numerous aspects of the business, including strategic planning, network development, economic analysis, pricing, data systems, customer billing, customer service, regulatory relations and corporate development for cellular and network operations for the KINI group companies.

Mr. Fox received his Bachelor of Arts degree in Political Economy from the University of Wyoming in 1979, graduating summa cum laude. In 1981, he received a Master of Science degree in Economics, also from the University of Wyoming. Mr. Fox has also been a speaker at numerous industry forums and seminars.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and exact copy of the within and foregoing pleading on behalf of the Electric Power Board of Chattanooga, via United States mail, first class postage prepared and properly addressed to the following:

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\_\_\_\_\_  
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